

## Putting some mussel into the arthritis battle

by Warren Berryman  
SEATONE... the natural extract from the New Zealand green-lipped mussel.

Thousands of arthritis sufferers swear by the stuff, saying it brings them relief from this painful disease.

New Zealand is the only source of the extract.

Seatone is manufactured by Auckland's McFarlane Laboratories Ltd, which also grows its own mussels.

McFarlane's exported 60 per cent of its production last year to some eight countries, and earned more than \$500,000.

At home McFarlane has been fighting a running battle with the New Zealand Health Department.

The Health Department is sceptical about Seaton's remedial capabilities. It has taken McFarlane in court over advertising.

After an appeal by McFarlane, the score was one count to the Health Department, four to McFarlane.

Seatone can't be sold as a drug. The active ingredient in

the extract has yet to be isolated. But it can be sold as a health food.

As far as Seaton's claims to alleviate arthritis pain, McFarlane's best advertising to date has been word of mouth and a wealth of publicity in the local and foreign press — much to the Health Department's displeasure.

McFarlane tested its product when it first started six years ago, administering it to 40 arthritis sufferers and claiming it brought relief to 35 of them.

Seaton underwent a cursory testing at the Dunedin Medical School some years ago. The school was sceptical of the benefits.

The Dunedin test has been the major prop under the Health Department's case. McFarlane disputes the Dunedin findings.

Still, the Dunedin tests did not show Seaton to be harmful, which left McFarlane free to sell it as a health food.

Seaton has fared better overseas. After two years



GOOD HEALTHKEEPING

testing in Glasgow, recently released preliminary results are optimistic.

The next stage is a "double blind" test, now under way in Glasgow. In a double blind test a group of arthritis sufferers will be given Seaton and another group of sufferers will be given a placebo. Neither those administering the pills nor the patients will know which is the placebo and which the Seaton. This will be known only by the master controller of the experiment.

If those receiving Seaton fare better than those receiving the placebo, it can be put down only to the remedial effects of Seaton and not a psychological or psychosomatic cure through belief in the product.

The Auckland Hospital rheumatology department proposes to do its own double blind test on Seaton if it can get the necessary approval from the ethics committee of the Medical Association and permission from the Auckland Hospital Board.

Dr Peter Gow, one of the doctors intending to participate in the test, said the Glasgow tests were encouraging.

The Auckland test, if it proves Seaton to be efficacious in relieving arthritis pain, will go some way toward stalling the Health Department's opposition.

But proving this point will not put Seaton on the market as a drug.

To do so, it would probably



GREEN-LIPPED MUSSEL

be necessary to isolate the active ingredient.

Medical companies have already tried and failed to do this. The research work required to isolate the active ingredient might cost millions, and probably be beyond the reach of McFarlane.

To be sold as a drug here would necessitate approval by the Health Department. And one could anticipate resistance from the major pharmaceutical companies — so long as Seaton remained a natural remedy.

Still, a McFarlane's director is presently in Switzerland negotiating with a Swiss pharmaceutical company to register Seaton in that country as a drug.

Twenty-one day's supply of Seaton costs only \$9.60 and there is growing consumer favour for natural remedies.

Many drugs on the market had their origins as natural remedies. But the active

ingredient has been isolated these cases.

Isolating the ingredient is important. Until the active ingredient is isolated, there remains possibility that it could be a potent carcinogen or in fact a potent cancer-causing agent.

The discovery of Seaton was accidental. In 1966 American researchers were looking for a cure for cancer from products, tested shellfish around the world, among the green-lipped mussel.

While the mussel proved to be a cure for cancer, the researchers discovered it seemed to have a beneficial effect on arthritis patients.

The Americans were initially interested in developing a mussel extract in association with McFarlane here. In the end McFarlane made it their own.



## It's always good coming home to Lockwood

There's always something special about coming home. And a Lockwood home has a special welcome — the warmth of natural wood, the relaxing atmosphere. Travel the world and you'll find nothing like the Lockwood

building system because Lockwoods were developed in New Zealand using our materials and designed for our kind of lifestyle.

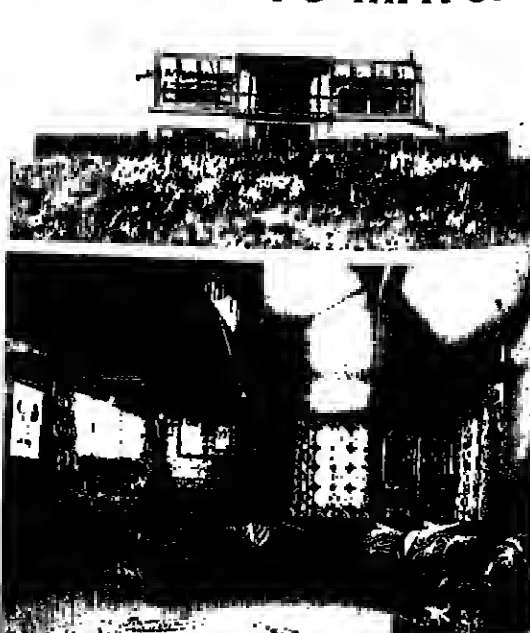
Lockwood means two things: firstly a building system which gives amazing strength by locking solid wooden walls together. (A standard Lockwood house was subjected to 22 simulated earthquakes... it came through in

perfect condition). It also means a building philosophy which combines stringent standards of quality and flexibility of design with the maintenance-free aspect. Lockwood pride themselves on one of the finest design teams in the country — and rightly so. When you're in a Lockwood — you know you're home.

**LOCKWOOD**  
build more home

Lockwood Buildings Limited, P.O. Box 1339, Telephone 85 181, Auckland, New Zealand.  
Telex: NZBICO NZ21401 Telexphone: "Lockwood"

## DREAM HOUSE WITH A VIEW TO MATCH



This Lockwood dream home at Wellington's Island Bay is built to give breathtaking vistas across Cook Street to the South Island. This superb four-level house built with high maintenance Lockwood materials and with 279 square metres (3000 square feet of living space) containing two bedrooms, two bathrooms, large living room for entertaining, dining room, TV room, study, second bathroom, modern kitchen, stylishly proportioned rooms, luxurious light fittings, high quality wall-to-wall carpeting, underfloor heating. The owner, moving overseas, will sell with some finance.

This impressive home is to be sold by public auction, on Thursday, August 2, at 11.30 am in our rooms.

**NATHAN**  
Telephone Wellington 729319

# NATIONAL BUSINESS REVIEW

60 cents

Volume 9, No. 27, (Issue 344) July 25, 1979

## Oil consortiums dodge full blast of new tax regime

by John Draper

A GOVERNMENT bid to get tough with the oil explorers over the tax they should pay in New Zealand has failed.

More than three years' hard bargaining is yielding a separate petroleum mining bill which will determine what taxes the oil giants will pay when any gas or oil fields they might find start producing.

But the consortiums operating the highly profitable Kapuni field and the offshore Maui field will escape virtually unscathed from the new

provisions. Shell, BP and Todd will have written indemnities against any changes to the tax structure which might be detrimental to their profits from the two fields.

And the profits have been big.

At the time the contract was drawn up for the sole of Kapuni condensate its world price was \$2.50 a barrel. Now the price is round \$25 a barrel. Since Kapuni started producing 2.55 million tonnes of condensate, which has been

used as feedstock for the Mtn Road Point refinery yielding the consortium profits of at least \$250 million.

Not one cent, NBR understands, has found its way directly back into the public purse in taxation on the three companies' profits.

On paper at least, and for taxation purposes, the consortium is pouring the Kapuni profits into the development of the Maui field.

The Government, NBR understands, wanted to produce a similar tax struc-

ture to that applied by Britain to North Sea. There, the oil companies face three taxes: a petroleum revenue tax of 45 per cent levied at the wellhead; a 12.5 per cent royalty on landed value; and a 52 per cent corporation tax on company profits.

The oil explorers claim that New Zealand is not sitting on another Saudi Arabian-style find nor even one comparable to the North Sea.

Kapuni and Maui, they say, are not as rich, nor high producing fields in world terms, a factor that has to be taken into consideration.

High yielding fields can bear high taxes, or so the theory goes.

At least the oil companies find it more difficult to resist Government demands where the yields are good and investment recovery rapid.

And the British Government in its quest for oil recognises that not all fields can afford to pay.

Companies are exempt from petroleum revenue tax — there

is an equivalent for gas — where the return on capital invested falls below 30 per cent.

The Secretary for Energy can also waive the 12.5 per cent royalty where it may otherwise make production uneconomic.

Unlike many other countries, New Zealand's oil and gas fields are not ring fenced for taxation purposes.

This effectively means that the companies can write off other exploration and development expenditure from unsuccessful or unprofitable wells against all their profits.

Ring fencing was one proposal put by the Government in the prolonged negotiations which have lasted on and off for several years... and vehemently objected to by the companies.

The Government also proposed upping the tax rate on oil profits to 45c in the dollar, and introducing an excess profits tax.

This too was rejected and the tax rate is now expected to be 45 cents. At present any company unable to use various allowances and depreciation provisions to

avoid showing a profit would pay 30 cents in the dollar.

The companies strongly resisted the 55 per cent rate on the grounds that it would not be acceptable to the United States Inland Revenue Department. The United States at present allows the companies to offset any tax paid to foreign governments up to 46 per cent against their American tax liability.

Arumco, the Arabian American Oil Co. jointly owned by Texaco, Mobil, Exxon and Saral, earned profits of more than \$580 million last year. But it paid no U.S. income taxes at all on its Saudi bonanza, and has paid no U.S. taxes at all since 1950.

Royalties are a meagre 5 per cent in New Zealand while elsewhere in the world they are commonly between 10 and 18 per cent.

NBR understands that oil company chiefs broke off negotiations with officials last week, going directly to Energy Minister Bill Birch in a last minute bid to wring more concessions from the Government before the bill is put before Parliament.

The Kapuni and Maui continued on Page 3.

## The Norwich connection

by Warren Berryman

SECURITIBANK credit meeting last week to vote for a new liquidator, were not given all the facts relating to the nominee for liquidator supported by official assignee, Ernie Gould.

The Securitibank investors consortium, representing a large number of creditors, has been primarily concerned that the liquidator have no ties or conflict of interest with any of the Securitibank shareholders or directors.

The meeting was chaired by Gould.

Following instructions laid down by the court, Gould asked each of the four pairs of liquidator nominees the following three questions:

• Whether the nominees are prepared to accept nomination?

• Whether the nominees have any conflict of interest should their duties require the directors or shareholders of any of the six companies to be sued?

• Whether the nominees have any shareholding in any shareholder of Securitibank Limited?

And any matters, of course, that were considered relevant. All four answered yes to the first question and no to the second.

The joint liquidators nominated by the consortium, Harold Goodman and Chase Sturt said they had no conflict of interest. Another team of joint liquidators nominees, Francis Jolly and Murray Wells, also said they had no conflicting interests.

Gerry Rea and Bruce Stowell, both of Gillfillan Morris and Co, revealed to the creditors that their accountancy firm acted as auditors for two Securitibank shareholders — South British and New Zealand Insurance.

The nominated fourth pair, were Bryan Kensington and Bruce Christmas, both of Wilkinson Wilberfoss.

Gould told the meeting that he had asked this pair the three questions and been told there was no conflict of interest.

But Wilkinson Wilberfoss act as auditors to Securitibank shareholder Norwich Union Life Insurance Society.

Jack Anderson, secretary of the consortium, walked up to Gould in front of the meeting and showed him evidence that Wilkinson Wilberfoss had acted as auditors. They talked in low voices undisturbed by the meeting.

Gould did not inform the meeting of the fact that Wilkinson Wilberfoss had acted as a Securitibank shareholders auditor.

Gould then cast all his \$8.3 million in proxy votes for Kensington and Christmas.

Court directions precluded the creditors questioning candidates for liquidator, so the consortium members who were aware of the possible conflict of interest could not bring it to the attention of the meeting to clear the air before voting.

NBR phoned Kensington after the meeting pointing out that Wilkinson Wilberfoss had acted as auditors and been paid nearly \$20,000 for the job.

Kensington said the failure to mention this fact was an "honest mistake" on his part when he answered Gould's questions. He had been aware, he said, that his firm's Wellington branch was acting as auditors for Norwich Union. But at the time he was not aware that Norwich Union was a Securitibank shareholder.

The names of all 20 Securitibank shareholders have been well publicised in the press. They have also appeared in the court actions brought against Securitibank shareholders by the consortium.

Gould acknowledged that Anderson did point out the auditor connection at the meeting, but said: "I take the

view that audit relationships are not necessarily a conflict of interest."

Anderson made the point at the meeting that auditors receive very substantial fees for their work. It was not only important that there be no conflict of interest but that there can be seen to be no conflict of interest.

Anderson told NBR he had informed Gould of this possible conflict of interest some days prior to the meeting.

Gould said Anderson had only suggested that all the big accountancy firms had ties to Securitibank shareholders.

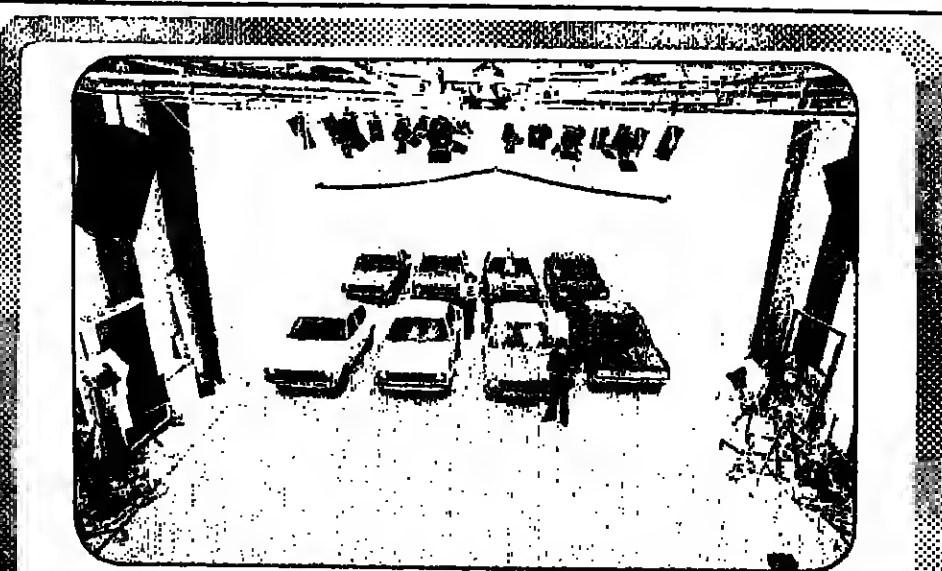
In his court report on the meeting Gould reiterated Kensington and Christmas' claim that until after the meeting they were unaware of their firm's involvement with a Securitibank shareholder as they were not aware that Norwich Union was a shareholder of the collapsed group.

Kensington and Christmas received 585 votes representing \$7,317,375 versus 1079 votes, representing \$10,582,518 cast for Sturt and Goodman.

Which leaves only the hypothetical question, what would have happened had Kensington and Christmas received the majority of votes cast by creditors who had been led to believe they had no connection with any Securitibank shareholder?

Also, did Kensington and Christmas fare better in the voting than Rea and Stowell because Rea and Stowell declared their audit relationship openly before the creditors, while Kensington and Christmas' relationship did not become known until after the votes were cast?

As NBR went to press it was learnt from Wilkinson Wilberfoss that the nomination of Kensington and Christmas had been withdrawn.



## A Studio for all seasons.

One camera film style or four camera television. Take your pick. Fully soundproofed, 18' clear grid height, wraparound cyclorama, 65' x 40' shooting area, make-up facilities, adjacent practical kitchen, easy access for sets and large products. From tabletop to drama — New Zealand's most efficient and modern studio.

There's more to video than meets the eye.

**VID@COM**

STUDIO AND LOCATION PRODUCTION FOR BROADCAST AND CCTV. FILM TO TAPE TRANSFER AND POST PRODUCTION. FACILITIES FOR CONSULTATION, DUPLICATION AND STANDARDS CONVERSION. VID@COM LIMITED, 71 BOSTON ROAD, AUCKLAND 3, PHONE 788-446



Registered at Post Office Headquarters as a newspaper

Incorporating Admark

New Zealand's national weekly of business & affairs



# Fresh air advocates cause worrying draught

by Colin James

MIKE Minogue is a rarely in New Zealand politics — an MP prepared to think independently, and to speak his thoughts, even when it means criticism of his own party.

Perhaps symbolically, this crusty libertarian occupies a little room away from other MPs, just off the public gallery of the House chamber — whence he can occasionally be seen to pop into the gallery to cast a bready eye over proceedings below.

More mature Parliaments not only encompass such people but seem to breed and cherish them. I think particularly of Edward du Cann, unquestionably one of the most important Conservatives of the 1970s, yet preferring a towering eminence on the back benches to the formal rank of Cabinet or shadow cabinet post.

In the stifling atmosphere of Parliament Buildings in Wellington, fresh air advocates of Minogue's ilk cause discomforting draughts.

Two years ago, when he publicly criticised the security service phone tapping bill, the Prime Minister threatened to have his seat given to some

more compliant party member.

The place for dissent in New Zealand political parties is behind the closed doors of the caucus room. Minogue's standing with the public may have been high; but among his more conformist colleagues he cut less ice.

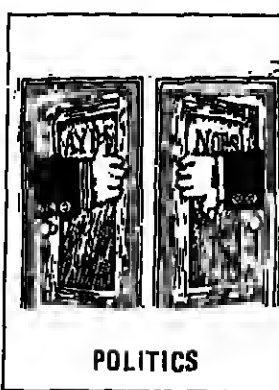
For instance, those National MPs who have been fighting the "fiscal regulator" — the proposal to reduce income tax when Parliament is not sitting — have urged journalists not to publish their names.

Their public speeches have been cautious.

Less so Minogue. Debating the petrol-saving regulations, he left no room for doubt on his attitude to the fiscal regulator.

"In the future," he said, "Parliament should become increasingly reluctant to delegate to the Executive powers which should in fact be exercised through this House and nowhere else, except in the most compelling and clearly stated circumstances."

He referred to justification of regulation-making power "on the grounds that because Parliament does not all continuously it is necessary to confer effective powers to act upon the Executive" — exactly



POLITICS

the grounds on which the Prime Minister has based his fiscal regulator.

"The time has come for this Parliament to draw the line, to say that there are limits to the claims which may be made upon it on the grounds of necessity or expediency."

He urged more spread-out sittings of the House and a "more positive assertion" of the parliamentary statutes revision committee's authority to review regulations, "should an appropriate occasion arise".

The committee had, he said, made a "constructive and somewhat tentative assertion" of that authority in the case of the petrol-saving regulations.

His was, I think, the most perceptive comment on the committee's report.

The report was constructive in that it recommended some changes of merit.

It was tentative in that it dealt only with the mechanics of the regulations as they affected some individuals and not their broader impact on the community and the future of parliamentary democracy.

The case for the narrow approach was put by Geoff Thompson, a new Government lawyer MP from Horowhenua, — somewhat ironically in that he has been one of the scourges of regulations in the back rooms.

Thompson said the committee "does not have the power to scrutinise delegated legislation to the extent that it has control over that legislation. The committee's role is to advise the House on technical aspects of legislation and to supervise what is referred to it by the House."

The committee report pointed out the opportunity the committee had for rolling back the expanding frontiers of Executive domination of Parliament when he said that the standing orders under which the review

was made theoretically allowed a review of the merits of the policy.

But, it added striking a blow for the freedom of the Executive of which, as undersecretary of energy, committee chairman Barry Brill is a member, policy should be debated only by the whole House.

"The committee therefore determined to limit its powers of scrutiny to matters relating to the implementation of the policy behind the regulations."

This when it considered whether the regulations "unduly trespass on personal rights and liberties", that consideration was "directed mainly at determining whether any such limitation is in fact 'induced' when balanced against the policy of petrol-saving that the regulations set out to implement."

Fair enough, when the policy is set out in an empowering statute. But in this case the regulations were made under the notorious "do-what-you-like" act, the Economic Stabilisation Act. The policy was made in the cool secrecy of the Cabinet room, safe from scrutiny.

The regulation introduced a major new policy, restricting travel rights and damaging some small businesses — who had no chance to ask their supposedly representative institution (Parliament) to do anything about it until the Labour lawyers raised it.

As Minogue pointed out, Parliament did eventually do what it would have done if the measure had been enacted through parliamentary legislation. A committee looked at details and suggested amendments and the House, in debating its report, discussed policy.

That in effect is all Parliament does now. The only real difference is that this time it was done after the law had for some time been restricting the rights and liberties of the citizens — in a public cause, indeed, but that is not the point.

The point is that Parliament is little more than a legislative wing of the Executive.

Perception of this has produced recently a burst of verbal concern for constitutional reform, not just from liberal MPs like Minogue, Marilyn Waring and new National Kaitiaki lawyer Paul East, but from academics.

One is Geoffrey Palmer, Victoria University law professor, whose book, *Unbridled Power*, is published this week.

Palmer is a prominent member of the Labour Party and on its policy council. He is one of the special hates of the Prime Minister, who calls him an "ivory tower academic" and accuses him of "selective morality" in picking on National Government's constitutional sins and letting off Labour Government.

Since Labour Government have not been illustrious champions of the citizen against the state passing similar petrol-saving regulations in 1974, for example, the Prime Minister has a point. But Palmer in his book does quote some Labour sins; he is not to blame if this

was made theoretically allowed a review of the merits of the policy.

But, it added striking a blow for the freedom of the Executive of which, as undersecretary of energy, committee chairman Barry Brill is a member, policy should be debated only by the whole House.

"The committee therefore determined to limit its powers of scrutiny to matters relating to the implementation of the policy behind the regulations."

This when it considered whether the regulations "unduly trespass on personal rights and liberties", that consideration was "directed mainly at determining whether any such limitation is in fact 'induced' when balanced against the policy of petrol-saving that the regulations set out to implement."

Fair enough, when the policy is set out in an empowering statute. But in this case the regulations were made under the notorious "do-what-you-like" act, the Economic Stabilisation Act. The policy was made in the cool secrecy of the Cabinet room, safe from scrutiny.

was made theoretically allowed a review of the merits of the policy.

But, it added striking a blow for the freedom of the Executive of which, as undersecretary of energy, committee chairman Barry Brill is a member, policy should be debated only by the whole House.

"The committee therefore determined to limit its powers of scrutiny to matters relating to the implementation of the policy behind the regulations."

This when it considered whether the regulations "unduly trespass on personal rights and liberties", that consideration was "directed mainly at determining whether any such limitation is in fact 'induced' when balanced against the policy of petrol-saving that the regulations set out to implement."

Fair enough, when the policy is set out in an empowering statute. But in this case the regulations were made under the notorious "do-what-you-like" act, the Economic Stabilisation Act. The policy was made in the cool secrecy of the Cabinet room, safe from scrutiny.

The regulation introduced a major new policy, restricting travel rights and damaging some small businesses — who had no chance to ask their supposedly representative institution (Parliament) to do anything about it until the Labour lawyers raised it.

As Minogue pointed out, Parliament did eventually do what it would have done if the measure had been enacted through parliamentary legislation. A committee looked at details and suggested amendments and the House, in debating its report, discussed policy.

That in effect is all Parliament does now. The only real difference is that this time it was done after the law had for some time been restricting the rights and liberties of the citizens — in a public cause, indeed, but that is not the point.

The point is that Parliament is little more than a legislative wing of the Executive.

Perception of this has produced recently a burst of verbal concern for constitutional reform, not just from liberal MPs like Minogue, Marilyn Waring and new National Kaitiaki lawyer Paul East, but from academics.

One is Geoffrey Palmer, Victoria University law professor, whose book, *Unbridled Power*, is published this week.

Palmer is a prominent member of the Labour Party and on its policy council. He is one of the special hates of the Prime Minister, who calls him an "ivory tower academic" and accuses him of "selective morality" in picking on National Government's constitutional sins and letting off Labour Government.

Since Labour Government have not been illustrious champions of the citizen against the state passing similar petrol-saving regulations in 1974, for example, the Prime Minister has a point. But Palmer in his book does quote some Labour sins; he is not to blame if this

was made theoretically allowed a review of the merits of the policy.

But, it added striking a blow for the freedom of the Executive of which, as undersecretary of energy, committee chairman Barry Brill is a member, policy should be debated only by the whole House.

"The committee therefore determined to limit its powers of scrutiny to matters relating to the implementation of the policy behind the regulations."

This when it considered whether the regulations "unduly trespass on personal rights and liberties", that consideration was "directed mainly at determining whether any such limitation is in fact 'induced' when balanced against the policy of petrol-saving that the regulations set out to implement."

Fair enough, when the policy is set out in an empowering statute. But in this case the regulations were made under the notorious "do-what-you-like" act, the Economic Stabilisation Act. The policy was made in the cool secrecy of the Cabinet room, safe from scrutiny.

The regulation introduced a major new policy, restricting travel rights and damaging some small businesses — who had no chance to ask their supposedly representative institution (Parliament) to do anything about it until the Labour lawyers raised it.

As Minogue pointed out, Parliament did eventually do what it would have done if the measure had been enacted through parliamentary legislation. A committee looked at details and suggested amendments and the House, in debating its report, discussed policy.

That in effect is all Parliament does now. The only real difference is that this time it was done after the law had for some time been restricting the rights and liberties of the citizens — in a public cause, indeed, but that is not the point.

The point is that Parliament is little more than a legislative wing of the Executive.

Perception of this has produced recently a burst of verbal concern for constitutional reform, not just from liberal MPs like Minogue, Marilyn Waring and new National Kaitiaki lawyer Paul East, but from academics.

One is Geoffrey Palmer, Victoria University law professor, whose book, *Unbridled Power*, is published this week.



MIKE MINOGUE ... for the conformist mood.

Government's sins a grandeur on the whole.

And Palmer has come to a minor conversion at Labour Party to measure of constitutional reform.

This book is worth reading for two reasons. One is its very highly readable and to understand explanation of how the Government — what is left of parliament democracy — works, by of the forms and structures, political choice, and thinking and control.

The second is his rejection of reform possible not just once he leaves also-runs as well.

His bias, the reason: Parliament's role is representative of the individual citizen, should to liberal conservatism; and outside both parties the Labour lawyers raised it.

But there is another attitude to the reform of Parliament. This is the punch of another University academic, Cleveland of the political science school in the University of Victoria.

Cleveland's starting point is the individual and the individual that the Palmer and more immediately over economic problems who thinks need a collective response.

"Strongly heeding the theory of the government does not address itself to the public political integration."

"To uphold a traditional approach to distribution of state power may be in mistake: the essential purpose of a century democratic government which is, or ought to be, to administer the welfare as competently as possible."

His suggestion, developed already existing corporate tendencies into a economic planning structure outside the direct jurisdiction of Parliament and the public but with extensive powers to consult and involve the public in decision-making, thus democratic more so than a government.

This would need a "collective agreement" "underlying agreement" only about the outline objectives of planning but whatever directives "emerge from the planning process".

As Cleveland says, it requires "a fundamental change in the dynamics of a political system." I think most Nationalists prefer Palmer.

## Lignite night be cheaper prospect

from pit consortiums are still negotiating what the headline value of gas and condensate should be for royalty purposes.

The Petroleum Mining Bill to go before Parliament soon is expected to increase royalties to 12½ per cent.

Most other oil producing nations also levy a special production tax taking the Government's share of the profits to between 70 and 90 per cent.

In New Zealand the Government's initial proposals for ring fencing and a 55 per cent tax rate would still only have given the Government around 46 per cent of the companies' profits.

The Government does have a problem. It wants the companies to start looking for oil, hopefully, or gas, more likely, in the few remaining promising structures left.

To do so it has to offer an attractive package. Seahunt — a consortium of Hunt Petroleum, Phillips Petroleum and Petrocorp, despite the statements of its Houston based boss, Howard Hunt — is now thought to have left the promising Great South Basin not because of its public frustration with the Government's proposed taxes but because of oil economics.

A find in the deep cold waters between Stewart and Auckland Islands would have placed New Zealand on the frontier of deep sea oil production technology.

It is still the frontier though other deep water prospects are now being thoroughly explored. But development costs to bring a well in the Great South Basin into production are estimated up to at least \$5 billion.

At the time the Seahunt consortium was drilling with the Petrocorp, world oil prices were steady or even declining in real terms.

The prospects for a multi-billion dollar investment using

methods as yet undeviated did not look good.

Since then Opec has come to the rescue sending oil prices rocketing and making areas like the Great South Basin unviable once again.

But New Zealand now has to compete for the huge investment in exploration and development with other prospects. China, where there are already proven offshore oil reserves, is inviting the oil explorers in. And when it comes to the crunch the companies feed into their computers all the figures to decide which offers the greatest return. Second place means waiting in the queue for a second, third or maybe fourth chance.

Taxation certainly plays a part in those calculations but it is of no consequence unless oil chiefs are reasonably confident of a commercial discovery.

Tax provisions were last altered for the oil explorers in 1971 producing the exceptionally generous provisions now in force though yielding no tax.

But despite giving generous investment write off and 100 per cent depreciation allowances in the year of expenditure, nothing happened.

Not in 1971 nor 1972 nor 1973. It was not until 1974, after the first oil crisis of the decade, that New Zealand became an exploration prospect.

Seahunt is coming back, but not to drill, not yet anyway. The consortium is preparing a seismic work programme for the Great South Basin so the Government will renew its exploration licence in September.

Before drilling starts again oil prices will have to go even higher. Then, as some industry sources point out, it might be cheaper to convert Southland lignite to a liquid fuel than bring oil ashore from the Great South Basin.

THINK THINK THINK

COMPUTERS WORD PROCESSING SERVICE

WANG

COMPUTER LIMITED

PHONE Auckland 540116 Wellington 843-262

Don't waste a minute of your holiday time comparison shopping

When you get to Sydney there'll be all sorts of things you want to do and see. Sure, you'll want to do some duty free shopping. But you can plan it all before you leave and know that at Sterling Nicholas you'll find what you want, at the best price, and get guaranteed satisfaction. Write for our free illustrated brochure.

Sterling Nicholas Duty Free PTY. LTD.

Crest Hotel, Kings Cross and 113 Oxford Street, Darlinghurst, Sydney, 2010

Telephone 33 5251

## Revenue flows in with the oil

by John Draper

oil, is black gold for tax purposes.

The same devices used to extract taxes from the pioneering gold miners, applied to the multi-national oil giants who started looking for oil in New Zealand in the 1960s.

And like many miners, the oil companies are not paying tax. Shell, BP and Todd have paid little tax since the Kipuni gas and condensate field was discovered in 1967.

In other countries government coffers benefit through royalties, a general corporation tax, and a special petroleum tax — usually reaping at least 70 per cent of the profits of any commercial discovery.

New Zealand registered mining and exploration companies pay a 30 per cent tax on profits if there are any, a reduction from the standard company rate of 45 per cent which foreign based mining companies must bear.

An early resources levy of 45 cents a gigajoule must also be paid. But an attempt to apply the same levy to condensate at a rate of \$3 a barrel was defeated by the oil companies in 1976.

Offshore explorers also have to give the Government a 50 per cent interest while only receiving 40 per cent of the exploration costs, an effective 10 per cent penalty. A raft of investment provisions allow the complete write off of exploration and development costs in the year they are incurred plus the estimated expenditure for the next two years.

Additional investment by a holding company in its subsidiary and other provisions which will be deducted all add up to a very generous tax package.

And to wrap the deal up even more attractively, Shell, BP

and Todd have extracted indemnities for both the Kipuni and Mantle fields against any changes in the tax laws.

In Britain each field is ring fenced. The profits from one discovery cannot be invested in exploration or development of another free of tax.

And on the output of each field the companies pay three taxes. Royalties are 12.5 per cent, petrol revenue tax takes 45 per cent and finally corporation tax at 52 per cent. The first two are allowable deductions for the calculation of the third.

But the British Government has decided it still wants more of the profits. The petroleum revenue tax, which is also levied on gas, is expected to go up to 60 per cent soon. Also production allowance which allow up to one million tonnes a year to an accumulated total of 10 million tonnes to be produced tax free are to be halved.

The state owned British National Oil Company, as of right has a 51 per cent stake in all oil fields.

The new tax provisions which will be introduced soon by Margaret Thatcher's Conservative Government, though devised by the previous Labour Government, will increase the Government's take from the North Seas oil from around 70 per cent to 75 per cent.

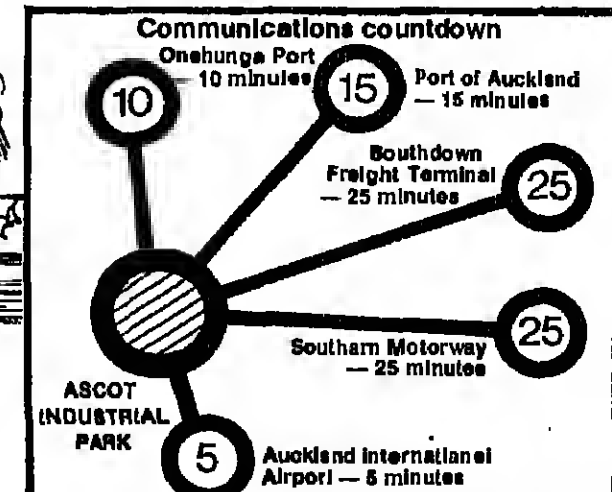
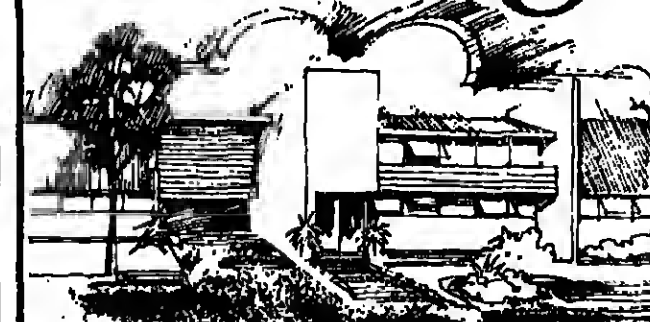
The Norwegian Government takes between 57 per cent and 66 per cent of the income generated from its section of the North Sea oil and gas fields.

But companies operating in the Norwegian sector can only write off development expenditure for tax purposes after production has commenced. A similar provision proposed by the New Zealand Government has been vigorously opposed by the oil companies.

Australia and the United States are the only two oil producing nations where there is not a state owned exploration and production company operating.

Fully-serviced sites . . . first-class roading . . . minutes to airport, seaports, motorway . . . title immediately available . . . minimal transport and distribution costs . . . abundant labour resources . . . a price which represents today's best investment in industrial land...

## Auckland's Ascot has got it all



Unique opportunity

Price \$50,000 per 4050 sq.m. (1 acre) 10% cash discount or favourable terms available. You know the price of industrial land in Auckland. A prime site at Ascot Industrial Park, with all its advantages, must be the best investment of its kind.

**\$50,000**

Plentiful labour supply

Between censuses (1971-1976) nearby residential Mangere showed 40% population growth. In 1976, labour force numbered 14,000, available jobs were 8,000. Extra labour on tap in Papatoetoe, Otahuhu, Onehunga.

## ASCOT Industrial Park

Beat the land rush. Contact the following licensed real estate agents:

- Barfoot and Thompson Limited Phone Auckland: 84-044
- Bohles Oakley Limited Phone Auckland: 771-279
- Suttons Real Estate Limited Phone Auckland: 83-748
- Wrightson NMA Limited Phone Auckland: 773-510
- Gisling and Noll Limited Phone Auckland: 30-434

OR: The Joint Developers

- Land Projects Limited PO Box 10-116 Wellington Phone: Wellington 738-238
- Prestige Homes Limited PO Box 61-002 Otara Phone: Papatoetoe, 48-028

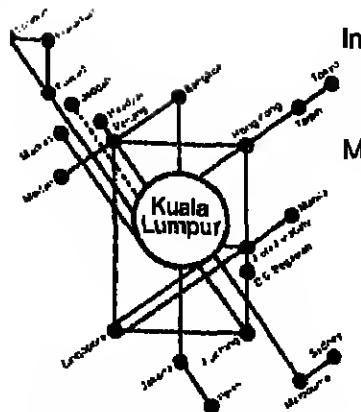
## A tradition of Golden Service across three continents

In Malaysia, we are taught from an early age that to give of yourself is to truly give. This tradition of generous giving we now carry with us across three continents.

In DC10 flights from Tokyo, Hong Kong, Sydney, Melbourne, Kuwait, Frankfurt and London.

In a wide network of flights to a greater number of Asian destinations than any other airline.

MAS is Malaysia's gift to the travellers of the world, a gift of gold.



5th Fl., Air New Zealand House, 1 Queen Street, Auckland, New Zealand. Tel: 793-743

Page 6 has the answer for the business traveller



## EDITORIAL

THE Prime Minister is obviously having difficulties in persuading people that this country needs a "fiscal regulator". Even his own party caucus is resisting the Budget proposal, thus giving a refreshing demonstration that a Cabinet which has become increasingly powerful doesn't always ride roughshod over backbenchers.

But both our major parties have made general taxation changes without consulting Parliament, and — as the New Zealand Herald argued: "...one of the very dangers to which the public must now be alert is that past erosions of parliamentary prerogatives will be presented as precedents to justify a penultimate, if not quite final, assault on procedural checks and balances."

It is cheering to learn that there is still a great deal of concern within the National caucus about the fiscal regulator and the nature of various compromise proposals. At least one backbencher is reluctant to accept the scheme in any form. On the other hand, the Prime Minister won't accept the solution of changing Standing Orders to allow Parliament to be summoned quickly if needed during the summer recess, without having to go through the rigmarole of a Speech-from-the-Throne and Address-in-Reply.

Inducing income taxes — the obvious counter to the effects of fiscal drag, whereby inflation gradually pushes up the burden of income tax by pushing taxpayers into higher tax brackets — similarly seems to have scant appeal to the Prime Minister.

Thus the compromises presumably huge on how many days may pass before Parliament must be called to validate a tax reduction made by Order-in-Council. Some backbenchers feel they should be in on the decision-making within 21 days, others think that 30 to 40 days can go by.

The fact that caucus remains unconvinced about the wisdom of his plans hasn't deterred the Prime Minister who still fails to recognise that his proposal is inherently repugnant to a Westminster-style democracy. We can now expect him to try to win public support with some hard-sell in the community. For example, he has requested space on the editorial page of the Herald to spell out his arguments. That would have meant eating humble pie. Only a few weeks ago he was complaining in his regular Truth column about why he had no respect for the country's biggest daily newspaper.

The Prime Minister's case, of course, is concerned less with constitutional niceties than with economic realities. Above all, he feels the executive must be given the authority to move swiftly and without check to make adjustments to an economy which has become so susceptible to day-by-day influences that fine-tuning is essential. But the volatility of the economy results, among other things, from the application of ill-considered ad hoc decisions in the past.

Only in recent weeks, there was the debacle of the sales tax embracing home-built boats being changed within days of its insisting for several months that electricity authorities hold price increases to some 5 per cent. Then suddenly he announced an increase of 80 per cent in the bulk tariff. That obviously hurried decision has had drastic repercussions in the manufacturing sector, is an important element in rising inflation, and is inconsistent with efforts to cut off consumption.

Behind the fiscal regulator is the assumption that the executive is blessed with some divine wisdom which must be freed from constraint to best solve economic problems. But these examples throw doubt on the notion that the executive more ponderous procedures cannot achieve.

Bob Edlin

## Subscribe to National Business Review now... and save 37 per cent

When you subscribe to National Business Review, you receive 48 issues of New Zealand's leading and liveliest business publication (news stand price \$28.80), and NBR Outlook, a periodically produced broadsheet newspaper devoted to the detailed analysis of important national issues.

Subscribe now and you save a very worthwhile 37 per cent on the National Business Review/NBR Outlook cover price of \$31.80.

Cash price \$31.80

...subscription price \$20.00

To take advantage of the NBR subscription offer, simply fill in the Fourth Estate Subscription Service coupon elsewhere in this issue.

THE shadow of Glenegles lies long over Prime Minister Rob Muldoon.

He will get an earful of it in Lusaka next month when Commonwealth heads of Government meet. And the subject threatens to crop up again at a Commonwealth Parliament Association conference in Wellington in November.

The CPA executive, we are told, nominated New Zealand to lead the debate on "Africa south of the Sahara". Muldoon, however, has demurred. He has suggested that New Zealand should lead instead on the topic "The security of the smaller countries of the Commonwealth".

He has good reason to demur. New Zealand has fastidiously refused to acknowledge that Africa south of the Sahara has any value to us, even to the extent of gratuitously insulting Africans by suggesting that an embassy in Cairo could serve the whole of Africa.

No value to us, except, of course, our precious sporting contact with South Africa, bete blanche of the rest of the continent.

On that, the two main New Zealand political parties disagree. They disagree also on the country's attitude to the rest of Africa. Labour wanting much more involvement with our black brothers than National.

In those circumstances the "lead" New Zealand might give to a debate on Africa might resemble the legendary messenger who jumped on to his horse and rode maddly off in all directions.

NEW Zealand honey isn't good enough for the German market, according to Stern magazine. Germany's answer to Time or Newsweek.

Dr Jost H. Dittmann, of the National Institute for Bee Studies, tested a wide range of honeys, and found most of them wanting. He sent samples to six scientific institutes to be

checked to determine whether sugar had been added, or whether they had been heated past 40°C — a temperature at which enzymes and other natural components are destroyed.

At \$10 a kilogram, New Zealand manuka honey was among the top three for price, and compared with \$2.59 a kilogram for the cheapest honey sampled.

Dittmann declared: "This honey should be taken off the market, as it does not comply with the honey regulation." He said it had either been "tampered with", and either treated or stored wrongly. The "active substances" he was testing for were extremely reduced.

But bee-keepers may take heart from the thought that the honey, which arrives in barrels at the port of Bremen, may come to a sticky end at the hands of German processors, long after it leaves New Zealand shores with every enzyme intact.

AUDIOLOGISTS have often sounded off about decibel levels from rock bands posing a threat to the eardrums of band members and teenage fans. But now we hear that similar problems are posed by symphony orchestras — and some players are more than a bit bothered about possible health consequences.

The New Zealand Symphony Orchestra when they are not worrying about who will finance their contributions to the country's cultural life) practises in a room in Wellington's Willis Street. And because the room is bereft of

softening furnishings, like carpets or drapes, players find the noise from their own playing less than agreeable. Indeed, constant exposure to sumptuous symphonic sounds is driving some to distraction.

Management has had its attention drawn to the problem, but — perhaps because of the financial problems of the Broadcasting Corporation — hasn't come across with the sort of muffling decor that would keep players happy as they swing their way through a few bars of double fortissimo.

Maybe they have figured that Beethoven wasn't 100 per cent in the listening department by the time he was through with his career, and that what was good enough for Ludwig is good enough for their musicians.

NOTICED outside the National Bank's headquarters in downtown Wellington the other day — one Government Ford LTD. Double-parked, too.

We weren't the only observers. A Ministry of Transport traffic officer took a dim view of the double parking and issued the chauffeur with something that looked like an infringement notice.

For the record, the car bore the number plate CR173 — but we fancy that the traffic officer was wasting his time by going through the ticket-writing procedure; it's odds on the matter will not be taken to the stage of court proceedings.

THE British perhaps can claim their first bit of gold from the Moscow Olympics.

At least, we note that the multinational Rank Xerox has agreed to pick up the price of being appointed sole official supplier of xerographic copying services to the 1980 Olympic Games in Moscow.

According to the company's official announcement, the company will provide more than 100 plain-paper copiers and duplicators on free loan during the Games under an agreement signed with the organising committee. And contracts have been signed for the purchase and servicing — with the participation of Soviet service engineers — of a further 100 machines which will form part of the total communications system for the 1980 Games.

And just to show that the success was no flash-in-the-pan effort on the sporting field, the corporation will be on hand at the eighth Mediterranean Games in Yugoslavia this September supplying copier and duplicating machines.

The news was brought to our office hard on the heels of news that a certain middle-distance runner had broken a world record and that Princess Anne had just done her thing for New Zealand Sports Federation in what was obviously a great week for the Brits.

WHILE things look gloomy to the building industry on its home front, and the Master Builders Federation may be wondering about its prospects of survival, there seems to be potential for building supply if they join the export drive.

Staff at the New Zealand High Commission in Singapore give one glimmer of a prospect with the advice that a "highly placed government official" estimates that Singapore will be spending \$NZ150 billion on building in the next five to eight years. And he thinks by the right marketing strategies, New Zealand suppliers of building materials can get a share of this.

# MP puts economic case for fiscal regulator

by Colin James

AS THE Government appeared to be moving toward a constitutional compromise over the "fiscal regulator", National Business Review late last week found someone prepared to put the economic case for quick changes to income tax rates.

Government backbencher Ian McLean, a trained economist and member of the Government caucus economics committee, argued its value as a weapon to prevent a slide into recession.

Most of the attention since the Budget announcement of the fiscal regulator — the reduction of income tax rates while Parliament is not sitting — have centred round the undesirability of breaking a longstanding parliamentary tradition that income tax rates are set only by Parliament.

McLean specifically refused to comment on this aspect in the interview he gave to NBR. McLean argued that "sound Keynesian counter-cyclical policies are still very useful."

"To believe that, you have got to use both monetary and fiscal measures and they must be in step."

"The technical requirement was, that going into a boom 'effective tax rates' — that is, the rate of tax as a proportion of total individual incomes — should be increased."

Giving into a major downturn, the effective tax rates should not be increased. McLean said that inflation caused effective tax rates to increase — a phenomenon known as fiscal drag.

Thus, in inflationary times the top could be taken off a boom by the automatic operation of fiscal drag. But to prevent a slide into a recession effective tax rates could only be cut by cutting actual rates.

McLean said that there was a lag of between six and seven months between the time ordinary people made buying or saving decisions and the time on adjustment to tax rates could take effect.

There was some lag between the buying-savings decisions and the actual transactions. There was another three or four months till the statistics recording those transactions became available to decision-makers.

There was probably another one or two months gap while decision-makers assessed the statistics and announced changes. The fiscal effect of those changes would take at least another month.

In addition, external shocks — a fall in commodity prices, a

contraction of markets for manufactured exports or a rise in oil prices — could occur at any time.

"You can't expect to make decisions in the January-June period and be right for the whole year," McLean said. "It is necessary to be able to quite readily make changes in tax rates, particularly to prevent a slide into recession."

"The other side — taking the top off a boom — is taken care of automatically by fiscal drag."

McLean said predictions were so hairy and information came through so late that the Government had to be able to make reductions in the effect of fiscal drag at any time of the year.

Indexation of tax rates did not solve the problem. It just put it off the other way round. "It would stop you sliding into recession, but it would not allow fiscal drag to take the top off booms," McLean said.

"This would create problems for democratic governments which always find it more difficult to increase tax rates than reduce them. It is much harder for a government to steel itself to take the top off a boom than to stimulate during a recession."

The problem was heightened by the possibility of a major external shock.

It is important that that New Zealand is not driven down into a deep recession.

"We do need a way in which tax rates can be adjusted so as to reduce or eliminate fiscal drag at any time of the year and at the same time to preserve all constitutional safeguards."

The alternative — increasing government expenditure — was a "socialist" solution. Other backbenchers — without McLean's economic training — have been pushing the constitutional safeguards.

A small group of new backbenchers led the fight against the fiscal regulator and have

gradually calist the support of older backbenchers and even a minority of the Cabinet — said to include Deputy Prime Minister Brin Talboys.

Last week they appeared to be heading towards some sort of compromise based on parliamentary approval within some, as yet undecided, time span.

But though Muldoon asserted at his post-caucus press conference last week that a majority of MPs seemed to favour use of the regulator, there were still some who were unconvinced that it could not be done through calling Parliament together.

Though Muldoon claims a

light on the subject, some backbenchers say their role has been heavy and that party workers have reacted with dismay to the proposal.

The big question remained open last week — whether some might feel strongly enough to cross the floor and vote against it. It only needs a handful to join the Opposition to kill the proposal dead.

Last week I came across only one who was determined to take opposition that far, plus one other seriously considering it.

Meanwhile, both MPs and Muldoon are keen to "get finally" on the issue at the caucus meeting this Thursday.

# The Lazy Man's Way to Riches

## 'Most People Are Too Busy Earning a Living to Make Any Money'

I used to work hard. I'd labour days, the 7 day week.

But I didn't start making top money until I did it my way. For example, I'd work about 2 hours a day. With a little luck, I should earn me \$5, maybe a hundred thousand dollars.

What's more, I'm going to ask you to send me \$11 dollars for something that'll cost me no more than \$1.30. And I'll try to make it as profitable as you'd like to be. I'll make you a most unusual guarantee.

After all, who should you care if I make \$1.30 profit if I can show you how to make a lot more?

What if I'm so sure that you will make money my Lazy Man's Way that I'll make you a most unusual guarantee?

Don't take my word for it. These are excerpts from articles in newspapers and magazines:

He only works half the year in his morning office on Chelmsford Street Beach, and even when he's there he puts in short hours. In other words, he works 48, is the prototype for 'The Lazy Man's Way to Riches'.

He is a man who has done business with King Charles' Hotel, Beach, and even when he's there he puts in short hours. In other words, he works 48, is the prototype for 'The Lazy Man's Way to Riches'.

He is a man who has done business with King Charles' Hotel, Beach, and even when he's there he puts in short hours. In other words, he works 48, is the prototype for 'The Lazy Man's Way to Riches'.

He is a man who has done business with King Charles' Hotel, Beach, and even when he's there he puts in short hours. In other words, he works 48, is the prototype for 'The Lazy Man's Way to Riches'.

He is a man who has done business with King Charles' Hotel, Beach, and even when he's there he puts in short hours. In other words, he works 48, is the prototype for 'The Lazy Man's Way to Riches'.

...I didn't have a job and I was worse than broke. I owed more than \$30,000 and my only assets were my wife and 8 children. We were renting an old house in a decaying neighborhood, living a 5-year old car that was falling apart, and had maybe a couple of hundred dollars in the bank.

Within one month, after using the principles of the Lazy Man's Way to Riches, things started to change — in put it mildly.

• We worked out a plan to pay off our debts — and stopped our creditors from hounding us.

• We were driving a brand-new Thunderbird that a car dealer had given to us!

• Our bank account had multiplied tenfold!

• All within the first 30 days!

And today...

• I live in a home that's worth over \$250,000.

• I own my 'office.' It's about a mile and a half from my home and is right on the beach.

• I own a lakefront 'cabin' in Washington. (That's where we spend the whole summer — loafing, fishing, swimming and sailing.)

• I own two oceanfront condominiums. One is on a sunny beach in Mexico and one is snuggled right on the beach of the best island in Hawaii.

• I have two boats and a Cadillac. All paid for.

• I have a net worth of over a Million Dollars. But I still don't have a job...!!

every letter I in our files and can be checked by any publication, Radio or TV station, or government agency — and have been verified time and time again.

I'm sure that, like you, the people who wrote these letters didn't believe me either. Guess they figured that, since I wasn't going to deposit their check for 31 days, they had nothing to lose.

They were right. And here's what they got:

\$260,000 in eleven months

"Two years ago, I mailed you \$1 dollar in sheer desperation for a better life. One year ago, just out of the blue sky, a man called and offered me a partnership. I groined over \$260,000 cash business in eleven months. You are a God send miracle to me."

A. F. Pasquaglia, Miss.

Backlog deposits from zero to thousands

"Since December, until the present time, I have built my business from zero up to where some days, my banking deposits are in excess of thousands."

D. J. A., Westminster, Calif.

Made \$16,901.92 first time out

"The third day I applied myself solely to what you had shown me. I made \$16,901.92. That's great results for my first time out."

J. J. M., Watertown, N.Y.

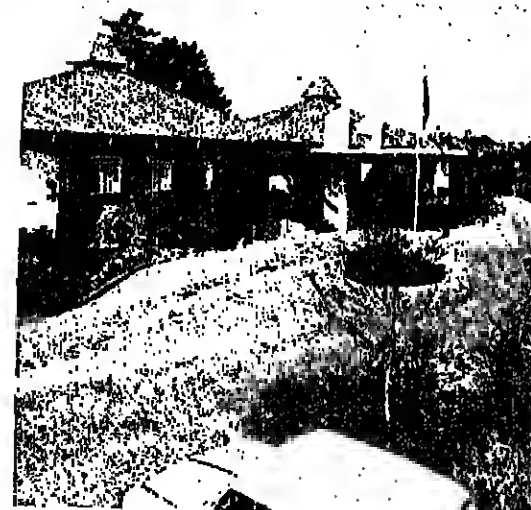
Assets over \$250,000

"My wife and I were living in a small rented apartment. In Whitler, our total assets were not more than \$1500. We didn't even own a car. Let me assure you that I have not 'come back' from poverty by inheritance or marriage or by any other means except through the principles of your program."

"The Lazy Man's Way to Riches"

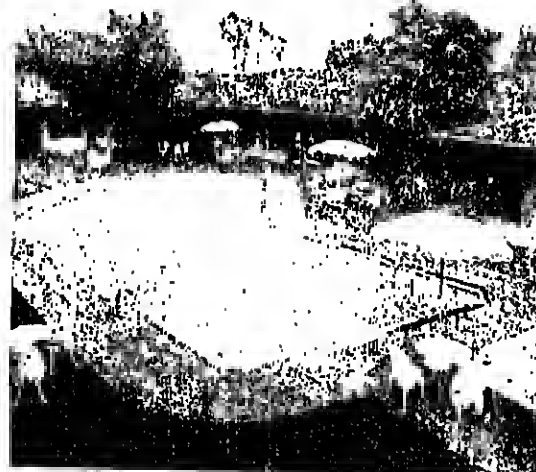


## The Traveller's Guide to an enjoyable stay in New Zealand



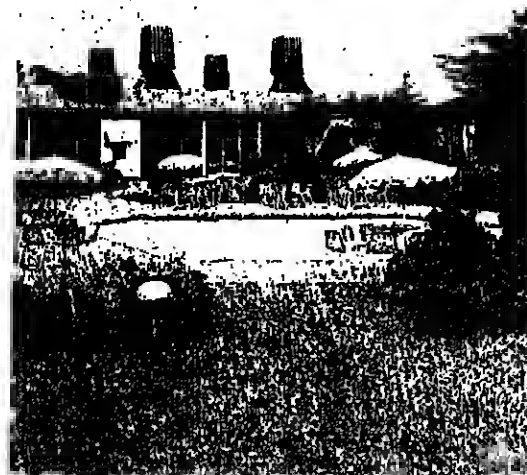
**New Plymouth - Westown Motor Hotel**

Against a magnificent backdrop of Mt. Egmont, a motor hotel of international standard, located only 2 kilometres from the city centre.



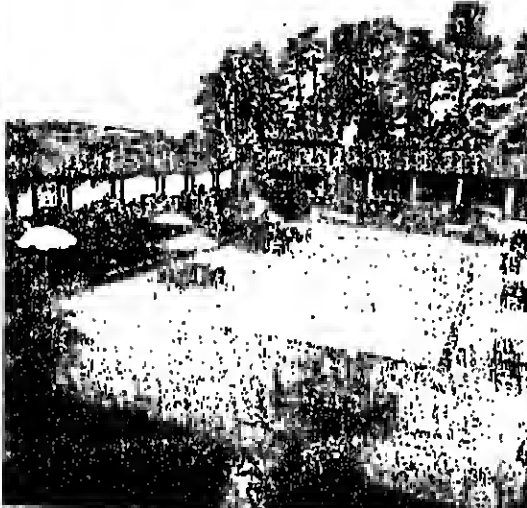
**Auckland - Poenamo Motor Hotel**

10 minutes from the heart of Auckland, on the North Shore. Designed around a beautiful swimming pool courtyard.



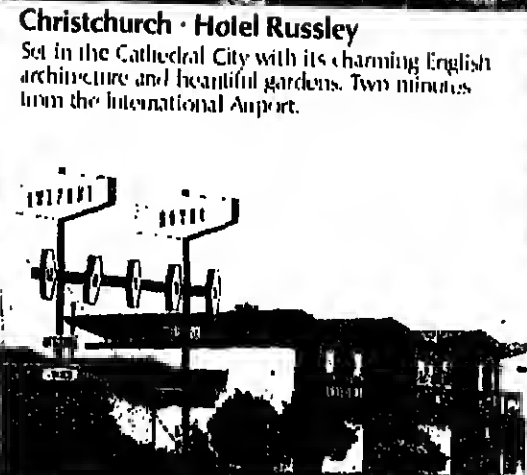
**Gisborne - Sandown Park Motor Hotel**

A luxury hotel set amidst beautiful trees and lawns on the sunny East Coast. Five minutes from the city.



**Auckland - Mon Desir Motor Hotel**

Set amidst beautiful native Pohutukava trees on the North Shore's Takapuna Beach, just 10 minutes from Auckland City.



**Palmerston North - Awapuni Motor Hotel**

A few minutes from the town centre and the racecourse. An ideal location for the visiting businessman or holidaymaker.



**Whangarei - Settlers Motor Inn**

A re-creation of colonial architecture and hospitality, just five minutes from the city, adjacent to Whangarei's picturesque yacht harbour.

## The South Pacific Motor Hotel Network

More than just a room for the night



Members of the South Pacific Hotels Group  
MH70

Telephone: Auckland 794-660, Wellington 850-754, Christchurch 850-754  
Or your local Air New Zealand office or Travel Agent.

## Fare inquiry leak sends Terminating societies : only in NZ

### TAANZ chiefs for cover

by Warren Berryman

DIRECTORS of the Travel Agents Association of New Zealand (TAANZ) have scuttled for cover after publication in NBR of the Ministry of Transport's investigation into the cut-rate fares offered by the Link Association.

Link is undercutting TAANZ air fares by up to 26 per cent. TAANZ members don't like it. But they're not sure how Link can cut its fares by such a big amount under existing tariff regulations.

The fare-cutting arrangement involves Link, Sabena Belgian airlines and Air New Zealand.

The situation was understandably delicate when TAANZ pressed the Ministry of Transport into investigating a fare-cutting deal which might involve the government-owned carrier.

While Link and Air New Zealand are busy answering the Ministry of Transport's questions, the prime concern for TAANZ and the ministry is

who leaked the information to NBR.

TAANZ directors have been informed on a confidential basis by their executive director, Peter Lowry, that the leaks did not come from the TAANZ executive.

TAANZ always maintains it is working in the best interests of the consumer. But concern for the consumer might not be immediately obvious to the public if TAANZ knocked Link's cheap tour packages.

Link has achieved amazing growth in recent years. And its members are not complaining about the services offered, including stopover packages and hotel rooms at as little as \$15 a night in addition to air fares discounted by up to 26 per cent below the cheapest price offered by TAANZ members.

But TAANZ policy is to stop all child discounting. This policy, and the matter of links to the press, should calm the debate when the TAANZ airline committee meets in Auckland on July 31.

by Rae Mazengarb

THE terminating building societies — not to be confused with the permanent building societies — are unique organisations which have managed to survive only in New Zealand.

Originally promoted in England, they did well until they were legislated against in 1893 because of practices which are said to still apply in New Zealand today.

And as recently as 1975 they were outlawed in South Australia, followed by Queensland a year later.

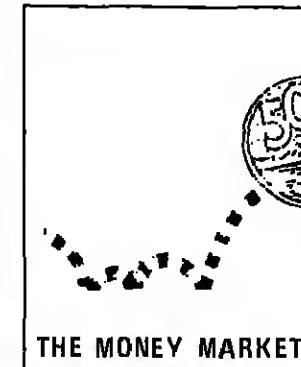
The trends overseas suggest a bleak picture for their future here.

Only 12 terminating building societies remain registered today compared with 15 a year ago.

But it is popularly believed that no one would win authority to incorporate such a society today.

Major criticisms of the societies stem from the nature of the contract between the societies and their members and the high forfeiture rate.

It is claimed that the contracts are so worded that it is



difficult to visualise any circumstances where a member could take legal action against a society.

Added to this is the complaint that would-be homebuyers are not always able to obtain finance at a time when it is needed.

There are three ways of securing a housing loan — by ballot, tender, or application. Returns from societies show that only between 3 and 5 per cent of members may have won a ballot after 10 years and only between 5 and 7 per cent after 15 years, so the chances are slim.

A shareholder can tender for a loan. But his tender is considered along with other members in the group and the highest tender is accepted.

Loans by application are at a set rate of interest and the shareholder must have been a member of the group for a qualifying period.

But it has been said that this period is often increased by the society after the member has committed himself to the group for at least 10 years.

Clive Tippens, general manager of the Northern Terminating Building Society (the largest of the 12), and president of the societies' association, sees a bright future for the terminating societies. "Though not necessarily in their present form," in spite of apparent threats from Government.

The figures show a drop off in membership. But Tippens pointed out the allocation of shares remains virtually unchanged. People are still willing to buy them.

The Northern's policy is not to forfeit shares, although other societies do.

According to Tippens, the moves to consider changes to the operations have been at the instigation of the societies themselves and not because of statements from Government.

There have been a number of developments in the last few years, but probably the most obvious is the move by some terminating societies to become closely associated with the permanents.

Northern is closely associated with the Northern United Permanent Building Society; the Auckland Terminating is associated with the Countrywide Permanent; the Western Terminating is associated with Western Consolidated Permanent.

The same executive operates both the associated societies.

This trend is openly encouraged by both the Permanent Building Societies' Association and the terminating societies' association.

A further development is a tendency for brother societies to become so closely merged

that they operate as two divisions under the one hat.

These developments will no doubt find favour politically, since, as PM Rob Muldoon pointed out, there are at present 55 building societies in New Zealand — "still far too many".

But the developments along these lines have been interpreted in various ways by various commentators and some have gone as far as saying the moves are because the terminations have "seen the writing on the wall".

In a recent paper commissioned by the National Housing Commission, N J Burt, of the NZ Institute of Economic Research, lumps them in with insurance companies.

"The returns on funds invested with insurance companies and terminating building societies are... difficult to assess and this could be one reason why such investments have, and could continue to become, relatively less attractive. It is not surprising therefore to learn of terminating building societies and some 'large' finance companies taking a more active interest in the activities of permanent (i.e. deposit taking) building societies".

So what role are they filling at present?

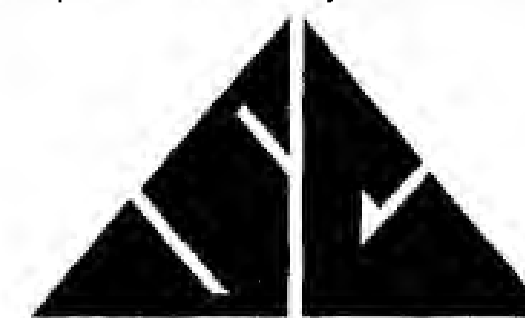
Muldoon has commended the societies as a whole for their contribution to housing. Currently advances on mortgages by the terminations run at around \$64 million.

According to Burt's figures this represents only 5 per cent of the total new housing mortgage registrations.



## Is your present company insurance keeping pace with today's needs?

Inflation affects your company in many ways. Wages, fuel, material costs, rentals... but spend a valuable moment and consider what the present inflation rate is doing to your company's insurance cover. For full details on Security & General's comprehensive insurance plans, contact Security & General today.



**SECURITY & GENERAL**  
Insurance for the special needs of industry

The Security & General Insurance Company (NZ) Limited  
P.O. Box 2426 Auckland. Phone 33-129. Or contact your nearest branch at Wellington, New Plymouth, Christchurch, Palmerston North, Hamilton, Napier, Dunedin.



# Securitibank: creditors vote for consortium

by Warren Berryman

THE Securitibank investors consortium won a clear victory over Government official assignee Ernie Gould at last week's creditors' meeting.

Securitibank creditors voted overwhelmingly in favour of the consortium's nominees for joint liquidators. Chas Sturt and Harold Goodman.

Creditors were also 10 to three in favour of the consortium resolution that the liquidator be requested to join the \$50 million action for civil recovery against the shareholders and directors of the Securitibank group.

Gould, the official assignee and acting Securitibank liquidator, chaired the creditors' meeting.

He opposed the consortium's nominees for liquidator, and its resolution that the liquidator be requested to join, and pay for the legal action against the shareholders.

In his court report following the meeting, Gould strongly recommended against the appointment of Chas Sturt as a liquidator. Sturt, according to Gould, hadn't the necessary experience for the job.

If Sturt was chosen for his investigative skills, Gould said, it would be cheaper to hire an investigator than to have one as joint liquidator.

Gould said he did not consider Sturt's police experience a suitable substitute for the skills required as liquidator.

Gould told creditors they had the power only to recommend a liquidator—the Court makes the appointment. In his last judgement Mr Justice Barker made it clear the court was not just a rubber stamp. The court hearing is set for Monday, after NBR went to print.

It is known that Gould will oppose Sturt's appointment on professional grounds. Gould and Sturt also have a long standing personal enmity.

Gould said he did not want the job of liquidator himself and that the job should go to someone from the private sector.

He said the first question that the creditors must ask themselves is, do they want a liquidator other than the official assignee? And secondly, who that person should be? Creditors nominated four

pairs of joint liquidators: Sturt and Goodman, Bryan Kensington and Bruce Christmas (both of Wilkinson Wilberfoss); Gerry Rea and Bruce Stowell (both of Gillfillan, Morris & Co.), and Francis Jolly and Murray Wells (both of Jolly Duncan & Wells).

Gould used the proxies signed over to the official assignee, valuing more than \$8.3 million, to vote for Kensington and Christmas.

The consortium have always maintained that any Securitibank liquidator must be and be seen to be totally independent from any Securitibank shareholder or director.

Consortium members have expressed distrust of Gould on the grounds that he, as a senior Government servant, was not independent from the two Government-owned shareholders of Securitibank: Government Life and State Insurance.

Gould rejects any suggestion that his impartiality as court officer is impaired by the fact that he is a Government servant.

As to the choice of liquidator, Gould has in the past pointed to the small size of New Zealand, the large number of big shareholders of Securitibank, and asked how many competent men are left to choose from that have not in some way been touched by Securitibank?

For Gould, the choice of liquidator should be decided on grounds of competence.

For the consortium, independence was the key criterion. This is especially so now with the prospect of suing the shareholders and directors starting the new liquidator in the face.

When nominating Sturt and Goodman, consortium supporter and Auckland accountant, Jack Anderson said he had looked at the nine largest accountancy firms in this country.

All of them had been tied to Securitibank shareholders in some way. Audit fees to these nine firms paid by Securitibank shareholders totalled more than \$300,000, with an average audit fee of \$30,000.

Anderson said that even if these people might not be seen to be independent.

Sturt, Anderson said, had been chosen for his investigative skills. Sturt, now a lawyer, was previously with the fraud squad.

Sturt was hired by the late Keith Crawshaw (previous Securitibank liquidator) to investigate together with accountant Michael Watson, the possibility of the liquidator suing Securitibank shareholders and directors.

Since Crawshaw's death, Sturt has continued his investigation under interim liquidator Gould.

The consortium initiated the \$50 million action for civil recovery through a suit brought by the Auckland Paraplegic and Physically Disabled Society.

It is understood that the consortium has now nearly exhausted its fighting fund. The action against the 20 shareholders—including Government-owned State Insurance and Government Life—is expected to go all the way to the Privy Council before a decision is reached.

Legal costs are estimated at \$500,000.

Only the Securitibank liquidator has the financial resources available to carry on the action.

Gould opposed the resolution to recommend that the liquidator join the action against the shareholders and directors, saying this decision was precipitous.

Gould said he based his decision on the legal advice he had to date.

He made it clear that he was not against the idea of the liquidator suing in principle. He said he would want to be very sure the odds favoured success before he risked creditors' money in such an expensive legal action.

Gould offered his personal view saying: "I think the actions of Securitibank over the last few months of its existence were disgraceful... Its advertising was disgraceful."

But, Gould said: "The knowledge of the affairs of the group was very closely held. I

wouldn't attribute the disgrace to any individual."

This is the key point in the consortium's case against the Securitibank shareholders: That the shareholders, and not just top management people, knowingly and willingly continued to take money from the public when they knew themselves to be insolvent and unlikely to be able to repay this money on due date.

The consortium action against shareholders is significantly based on an allegation that shareholders knew, or should have known of the Securitibank's insolvency dating at least from two closed meetings on May 18 and 19, 1978 during which it is alleged that the state of insolvency was discussed. And that the group continued to advertise, using the names of its blue chip shareholders to make the group appear reliable, and took money from the public (at least \$19 million) from the date of the May meetings until the collapse in December 1978.

The consortium claimed

their action was not, as they maintained precipitous, but that they initiated the action within two years of the alleged May meetings fearing the might be a legal time limitation on initiating such an action.

The consortium maintains that suing the shareholders is the only way creditors can get their money back. He says that, as dividends to shareholders are paid, the creditors should risk the dollar of their investment in an attempt to get civil recovery from Securitibank shareholders.

As they entered the meeting, creditors were handed a report from Gould on the state of affairs of Securitibank. Creditors had little time to digest the 10-page report before the meeting started.

But one key point in the report was easily understood. The group deficit was estimated by Gould now at \$27,646,430—more than the \$12.5 million the

# nominees to act as joint liquidators

estimated in 1978 when Securitibank went into liquidation.

Gould said that of the \$72,739,546 owed by the group, only \$35,898,327 would be realised, either in cash or in the form of eliminated obligations.

Gould had one up on the consortium when it came to information that might be used against Securitibank shareholders and directors in such a legal action.

The Justice Department, for whom Gould works, has been more than two years in preparing its Edgar Henry 9A report. The late Keith Crawshaw was promised a copy.

Before he died, Crawshaw complained bitterly about the delay in preparing this report. Shortly before his death, Crawshaw was to have received a draft copy of parts of the report. He did not receive it.

Gould now has a copy of the draft sections of the 9A report. The consortium does not.

If the court appoints Sturt and Goodman as joint liquidators, it is up to Registrar of Companies, Brian McLay to decide whether the promise to release the 9A report to the Securitibank liquidator is to be transferred to the new liquidator. (NBR July 4, 1979).

During the discussion about the consortium's joining resolution, one creditor asked how creditors were expected to vote on the resolution without hearing from investigator Sturt.

Gould replied that Sturt was presently employed by the liquidator and therefore could not speak as an individual.

Thus the creditors were unable to hear direct, from the man heading the investigation into the legal possibilities of suing and what, in his opinion, were the chances of success.

Despite the lack of information, the creditors voted 1070 votes representing more than \$10 million versus 64 votes representing less than \$3

million in favour of the consortium's resolution.

Gould wanted a voice vote on the resolution. But the consortium demanded a full vote by value and number as evidence of the strength of creditors' resolve to risk their money in an attempt to sue the shareholders and directors.

Gould met the consortium on the Sunday night prior to the creditors' meeting to discuss the resolution.

At that meeting the consortium agreed to amend the resolution slightly.

The resolution said in effect, that the meeting should recommend that the liquidator take over the paraplegic's action and pay legal costs from creditor funds.

The amendment consisted of the addition of the words, "and subject to any order that may be made by the court to give the liquidator these directions".

In return for the amendment, Gould agreed not to oppose the resolution and to consider voting for it.

At the meeting Gould abstained from voting his \$8.3 million proxies on the resolution.

Explaining his abstention, Gould said voting against the resolution might give aid and comfort to a possible enemy.

Gould added that in his opinion, the resolution was unimportant as any liquidator worth his salt would make up his own mind and act in the best interests of all creditors.

Consortium nominee Auckland law professor John Northey topped the poll in the election to fill one of the two vacancies in the inspection committee.

Consortium bocker and Auckland accountant, Jack Anderson and Victor Jowsay of Beca Carter Hollings and Ferner vied for the second position open on the committee. Anderson had about double the number of votes cast. But Jowsay piped him at the post on value of votes cast.

Which man will be appointed to the committee will be decided by the court.

## HOW THE VOTING WENT

NOMINEES FOR LIQUIDATOR	NUMBER OF VOTES	VALUE
Rea and Stowell (Gillfillan Morris and Co.)	22	\$1,506,892
Jolly and Wells	14	\$168,088
Jolly Duncan and Wells (Kensington and Christmas (Wilkinson and Wilberfoss))	525	\$7,317,375
Goodman and Sturt + (Baker Developments - Goodman) Gladdow and Co - Sturt)	1078	\$10,582,519

VOTE FOR OR AGAINST RECOMMENDING THAT STURT AND GOODMAN BE APPOINTED JOINT LIQUIDATORS		
FOR	1101	\$10,955,348
AGAINST	538	\$8,561,748

VOTE ON RESOLUTION THAT THE LIQUIDATOR BE REQUESTED TO JOIN THE \$50 MILLION ACTION AGAINST SECURITIBANK SHAREHOLDERS AND DIRECTORS		
FOR	1070	\$10,173,118
AGAINST	64	\$2,771,142

ELECTION OF COMMITTEE OF INSPECTION		
NOMINEE	NUMBER OF VOTES	VALUE
John Northey + (Law Professor)	1175	\$12,784,173
Jack Anderson + (Accountant)	1018	\$9,881,415
Victor Jowsay (Beca Carter Hollings and Ferner)	592	\$9,980,234

BREAKDOWN OF VOTING BLOCKS TOTAL REPRESENTED IN PERSON OR BY PROXY AT THE MEETING		
INDEPENDENT PROXIES	280	\$5,167,050
OFFICIAL ASSIGNEE, ERNIE GOULD	433	\$6,308,114
JACK ANDERSON FOR INVESTOR'S CONSORTIUM	811	\$7,172,450
OTHER CONSORTIUM VOTES	36	\$726,960

+ Consortium nominee

# At last, the card that's right for New Zealand.



It isn't a guarantee card.  
It isn't a debit card.  
Bankcard is a credit card to help you make extra sales and attract new customers. And it's from the same banks that helped make Bankcard a multi-million dollar retail success in Australia.

Bankcard is the right card for New Zealand, and it's going to be right from the word 'go'.

The ANZ, Wales and C.B.A. have five years of direct personal experience making Bankcard the huge retail success it is in Australia.

Profitable for the retailer. And convenient for the cardholder.

Because it's a credit card, there's a lot more in it for you.

Unlike other types of cards, Bankcard places extra buying power in people's pockets.

So instead of "just looking", Bankcard holders are more often buyers.

What's more, experience shows Bankcard customers tend to trade-up.

A shirt and tie to go with their new suit. Or the food mixer with more features.

Which means you make a larger profit on the sale. Profit you wouldn't otherwise have made.

You'll get your money straight away.

When you return your sales vouchers to your bank, your account gets credited immediately.

No matter how long the customer takes to pay us.

What's more you can put your vouchers in daily if you wish.

Credit sells. Ask the big stores!

The big department stores know how much the public values the convenience of credit.

They've been running their own systems for years.

Now, with Bankcard you can enjoy the same advantages. Without all the headaches of doing it yourself.

No complicated book-keeping. No need to tie up precious capital. And no bad debts to chase up or write off.

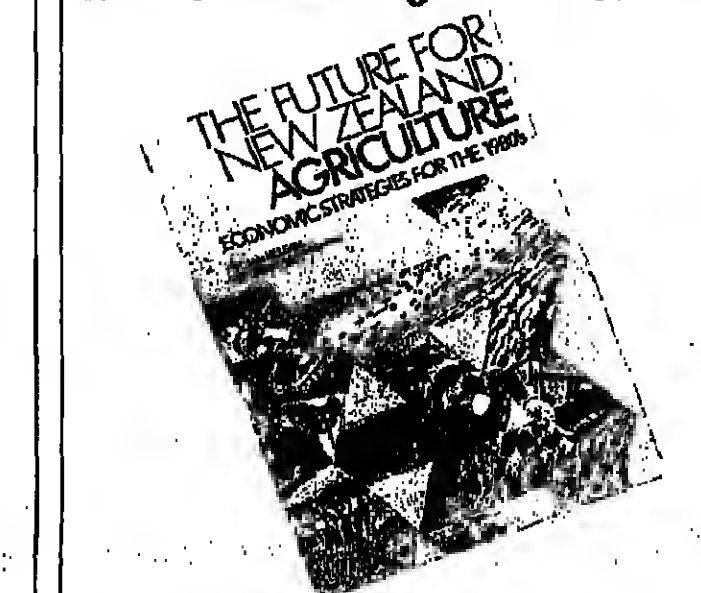
The banks do it all for you, for less than it would cost to do it yourself.

# Bankcard

FROM THE ANZ, WALES AND C.B.A.  
The right card for New Zealand.



At last.  
Clear concise ideas about the future of N.Z. agriculture.



"... one of the most important research papers ever released on New Zealand agriculture," that's how Harry Broad, editor of Straight Furrow describes The Future for New Zealand Agriculture.

In this significant new publication, Ian McLean, former and agricultural economist, explains why production rather than market problems inhibit agricultural exports. He probes the pros and cons of five alternative policy strategies to combat New Zealand's complex, persistent agricultural problems. McLean concludes that the weight of evidence supports one particular strategy.

The Future for New Zealand Agriculture, published by Fourth Estate Books on behalf of the N.Z. Planning Council.

Only \$4.50 at all good bookshops, or direct from Fourth Estate Books, P.O. Box 9344, Wellington. (See Fourth Estate Subscription Service coupon elsewhere in this issue.)

## FOURTH ESTATE SUBSCRIPTION SERVICE

To subscribe to or purchase any of the newspapers, directories or books published by the Fourth Estate Group simply fill in and post the coupon below. Please make out cheques as indicated. If two different companies are indicated for multiple purchases, please make out cheque to Fourth Estate Group, P.O. Box 9344, Wellington.

(Please / where appropriate)

☐ I/We enclose \$20.00 for one year's subscription to National Business Review.

☐ Please bill me/us.

☐ I/We enclose \$..... for .....copy/copies of The Future of New Zealand Agriculture (\$4.50 per copy).

☐ I/We enclose \$..... for .....copy/copies of Participation & Change in the New Zealand Workplace. (\$4.00 per copy)

Name.....

Address.....

Occupation.....

Signature.....



## The South Pacific Hotel • Auckland



**We're in the business of looking after business people**

We know what a business visitor to Auckland wants. And we make sure you get it. It starts with superb rooms in a central location that puts you within minutes of the people you've come to see. Then we add a fail-safe message service, and secretarial facilities on request. Plus conference, convention and display venues that are unmatched in Auckland. And client entertainment par excellence in a selection of restaurants and bars. All put together with a quiet friendliness you'll enjoy. If you're coming to Auckland on business, look us up. And we'll look after you.

**The South Pacific Hotel**  
Corner Queen & Customs Streets Auckland. Phone 778.920 Telex N.Z. 2231

**Where Auckland happens**

**SPH**  
A member of the South Pacific Hotels Group  
SP12

Telephone: Auckland 794-660, Wellington 850-754, Christchurch 799-799  
Or your local Air New Zealand office or Travel Agent

# NBR BUSINESS WEEK

## Govts guide investors through state labyrinth

by Peter V O'Brien

THE Government is selling up an "investment unit" with personnel drawn from departments, and a private sector representative, to attract overseas investment and guide potential investors through the administrative labyrinth.

That may or may not solve the problem. Other countries have specialised organisations to carry out this function. Some Australian States, Singapore, and South Korea are examples. The Republic of Ireland has a sophisticated system of industrial development, which has some relevance to New Zealand, due to similar population (both countries about 3.2 million people), and an agricultural base. There are structural differences, of course, including Irish access to the EEC market, and the fact that New Zealand had a much more developed economy than Ireland when the latter embarked on an industrial development programme. The last point has less relevance today, because the gap between the gross national products of the two countries is rapidly closing.

The Irish Industrial Development Authority is based on a 1969 empowering act, although its origins go back further. It is a Government agency, in the nature of a public corporation. The Authority is empowered to encourage and develop industrial investment.

The IDA interprets the mandate as having three central aims: (a) to assist in the

achievement of full employment (b) improve living standards (c) contribute to regional and sectoral balance.

(The IDA differs from our Development Finance Corporation. The latter's Irish counterpart is the Industrial Credit Company).

The IDA's Industrial Plan 1977-80 (yaa, there are plans in other countries) explains how the functions are fulfilled:

"through industrial promotion, the utilisation of financial and physical resources, and the deployment of its staff, IDA encourages individuals and companies, both private and State owned, to invest in manufacturing industry and to assist that investment. Through its Rescue Service for industry it endeavours to minimise job losses and dislocation in firms. IDA also operates a limited service industry programme."

The authority works closely to the national planning targets laid down in the government's regularly updated white papers, while producing its own medium term plans for job creation.

The authority has nine members. Four are businessmen, three are drawn from government departments, one is an independent chairman, and the ninth is the managing director, Michael Killeen. If grant aid of 850,000 pounds (about \$1.75 million) or more is proposed for a particular firm, whether as a single grant or cumulatively, approval of both the authority and the Government is required.

The total staff is 600, spread



IRELAND...Industrial growth makes ground.

through regional offices, with fourteen overseas offices, including one in Sydney.

Details of specific development programmes will be given in the second article.

The general structure is outlined here, together with the types of incentives offered. The overall approach to incentives is:

"The incentive package must be competitive with that available in other European countries... including a range of incentive tools (grants, loan guarantees, interest subsidies, tax relief etc.) and allow flexible administration to accommodate individual project requirements."

It is coupled with government tax policies. Companies which set up operations before 1978, or in this year, pay no tax on ex-

cesses for new plant and machinery. (A different philosophy now applies in New Zealand — we give allowances on output rather than on the cost of inputs).

The IDA provides cash grants (non-repayable) on cost of fixed assets (including alterations and development). The rate ranges from 35 to 50 per cent depending on area. Up to 100 per cent of agreed training programmes for workers in new industries can be provided.

Industrial buildings can be leased or bought from the IDA, which can also guarantee loans, subsidy interest payments and sometimes take equity participation.

Between 1960 and 1975, IDA assistance brought 662 manufacturing projects owned wholly or in part by overseas companies to the country. While this might raise questions of wide overseas ownership, the control is spread over many countries and organisations. In New Zealand we borrow substantial sums from a small number of overseas financiers. Capital investment creates jobs, stimulates resource utilisation, and provides an

added value (most of which goes to people inside the country) well beyond the level of that investment.

But a company does not automatically qualify for the grants and allowances. A comprehensive set of guidelines exists for the submission of industrial proposals, and it is clear that if you fail to measure up then you miss out.

The authority's 1977-80 plan is based on the creation of 47,100 "new grant-aided manufacturing jobs and 2500 service jobs in the years 1977-80". In 1978 the IDA approved more than 30,000 jobs in industries negotiated in that year and exceeded its target of 27,000. The job creation programme takes account of redundancies and closures. This was a problem between 1973 and 1978, but the programme recognises that inefficient and non-competitive firms are a drain on resources and weaken an overall economic strategy which is based on allowing "competition to blow through the economy". The application of IDA programmes to that slogan will be considered next week.

**Complete design  
and printing  
service with  
Guaranteed delivery**

When you've a business form order to place urgently the last thing you need are excuses. We're IBF, Innovators of Business Systems and Form Design. We'll design, print and deliver to brief. Any feature. Any size. Any quantity. And we work fast! Our flexibility enables us to achieve virtually any design imaginable. And handle those last minute orders. We'll supply full colour proofs, so you see exactly what you're getting. And we work just that much harder to meet every delivery date for every job. Call us. You'll like the reception. You'll love the results.

**IBF** Innovators of Business Systems and Form Design

4 WAIKAIKAI ROAD, GLEN EDEN  
AUCKLAND 7  
NEW ZEALAND  
P.O. BOX 20-142, GLEN EDEN  
TELEPHONE GLE 5384 & 5446

**INTERNATIONAL  
BUSINESS FORMS LIMITED**

### JUST RELEASED!



### Advertising Directory & Media Planner

1979/80 Edition now available with many new features.

No other publication on New Zealand Media gives so much detail!

Listings include:

\* Newspapers (150) \* Magazines (480)

\* Total Publications (630)

\* Television, Radio Stations \* Advertising Agents

\* Public Relations Consultants \* Advertising Associations

\* Multiple Publishers \* Direct Mail Consultants

\* Editorial Analysis

Amendments mailed regularly throughout the year!

### Sample Listing:

N	115 BETTER BUSINESS, P.O. Box 783, Auckland, 201 Dominion Tel. House 184-2545, The LUXURY, 141-143, 145-147, Bardon. AdMgr Mr C. McLeod. Mo 15th 11 issues Hire Jant. 250000 Est. 1 line 15th Mo prior. 25. term. 3 ppls. Gen. EP 25-4x18.6cm 110net. No. 1C. 1-2-3-5-7-9-11. M10H	\$14.00 \$241.00 \$201.00 \$305.00 \$303.00	C
---	--	---	---



## Analysing annual accounts

by Peter V O'Brien

A document titled *The Fletcher Group Annual Report 1979* is circulating in the finance world. It may be thought that some new corporate beast has come into being, but closer examination reveals a small print inside saying it is the *Thirty-ninth Annual Report of Fletcher Holdings Ltd*, a well-known industrial, commercial and financial holding company based in Auckland, and one of the country's largest corporations.

Some executives find it strange that outsiders can misname their organisation. The company should put the correct name on the annual offering to shareholders and to the public.

Having established that we are talking about Fletcher Holdings Ltd, and its numerous subsidiaries, the report is well presented, and in keeping with the company's "leader" status. Fletcher disposes of many criticisms often levelled here at financial

disclosure among public companies.

It is essential that such a large enterprise, with an extraordinarily wide range of interests should use divisional accounting to present its story. The company gives a breakdown of turnover, tax paid earnings, operating assets, return on assets and number of employees for six broad areas of activity: development and contracting, wood products, steel, concrete and aggregates, pulp and paper, and an umbrella of "other activities".

Fletcher has another analysis in a section group activities. The section provides similar information for sixteen areas of business, and is a useful guide to the total business.

The table gives turnover and net profit per employee for each broad division, except the pulp and paper group where the information is excluded from the annual report. This action of company business relates to the 46.2 per cent interest in the Tasman Pulp

and Paper Co Ltd. The details are available in the report of the latter organisation. The table also includes the return on assets for each division.

Activity	Turnover per Employee \$	Tax paid earnings per Employee \$	Return on Assets p.c.
Development and Contracting	5,837	320	1.9
Wood Products	5,347	2,795	7.1
Steel	14,060	5,314	11.0
Concrete and Aggregates	10,694	496	1.2
Other Activities	78,740	8,103	2.2

In terms of the return on assets, steel was the most profitable activity last year, but "other activities" produced the most efficient employee result. The relatively poor showing in development and contracting, and in concrete and aggregates, is understandable in the difficult conditions facing the construction and house-building last year — conditions which will dampen down returns again in 1979-80.

Fletcher produces a detailed breakdown on tax liability, a

This information is essential to establish a company's benefits from tax legislation. Fletcher provided \$6,491,000 on pre-tax operating profit of \$21,130,000 (30.7 per cent) compared with \$1,212,000 on \$17,514,000 in the previous year (12.4 per cent). Provision was made for taxation on interest payable, foreign currency exchange losses, and non-trading items.

Note sets out the incentives and allowances relating to

exports, forestry development, and investment in plant. Taxation adjustments are shown for other items. The final result, in the consolidated balance sheet, is a provision for tax on payments due this year of \$743,000, being \$332,000 in deferred 1973 terminal tax, and \$411,000 as "estimated net liability for the current year's taxation, after making allowance for losses of the tax group".

Analysis of the tax position would be impossible without the detailed data, a point which other "leading" companies could note when they prepare their reports.

Other notes explain the movement in major balance sheet figures, broken down into components.

But one item of the balance sheet has been rather bludgy treated in managing director's review. Fletcher wrote land stocks down \$2,311,000, and included the adjustment in "non-trading items". The only reference in the report is:

"Also pleasing was the further progress made in disposing of assets and investments peripheral to the

industrial activities of the Group. Tax-paid non-trading gains of \$4,724,000 were made on these sales. These gains were offset by substantial write-downs in the book value of continuing assets where the reduced market demand had made historical cost values unrealistic".

That is an interesting way to dispose of \$2.3 million, even when the amount is related to the size of Fletcher Holdings. The decision to raise \$11.5 million in specified preference share capital will raise the proprietorship ratio from 41 per cent. It was 50.5 per cent in 1970, but changes to new funding, and a slightly weaker working capital position, the still strong, eased its relationship.

Economic difficulties play part in the performance of such a wide ranging group. It would be interesting to know if there are other factors responsible for the slow reduction in return to average shareholders over the last years. In 1979 and 1978 return was 11.3 per cent having dropped each year since 1974.

## Small businesses face fundraising difficulties

by Peter V O'Brien

"THE difficulty of raising finance is the most common problem facing small business owner-managers," according to the annual report of the Small Business Agency, a division of the Development Finance Corporation.

Other problems cover a wide range of business activity. The Agency received 2255

enquiries in the period to March, 1979 (it commenced operations in June, 1978).

The report refers to 3150 problems from those enquiries. The breakdown is in table.

The agency referred people to outside agencies, and in some cases more than one referral was made in relation to a particular enquiry. This explains why the total of 2334

referrals is more than the 2255 enquiries received to March 31. The "referrals most often used" were:

Accountants 502, Bankers 272, Lawyers 172, Department of Trade and Industry 232 (General 107, Export Liaison Officers 125), Development Finance Corporation 349 (export potential 140, applied

technology 56, SBA 114, other 361 Miscellaneous 807.

Several small business managers-owners may need to be referred to services provided by Trade and Industry, and DFC and "miscellaneous". The large number of referrals to accountants, lawyers and bankers is intriguing. What are the firms' existing accountants, lawyers and bankers doing if people have to be referred to members of those professions? Or are the problems outside the expertise of the professionals already working with small business? A third possibility, that some firms may be lapping working on without professional assistance, is even more intriguing.

The report could not be expected to provide detailed information to answer those questions.

It seems to confirm a view about the nature of small business which appears in literature from similar agencies overseas. It says:

"A definite trend has developed. Manufacturers account for a high proportion of enquiries and from a review of files it is clear that about 50 per cent of these manufacturing clients exhibit export potential".

No doubt some manufacturers are enquiring about export techniques while others have technical production problems.

Others may come into the group of people who have an idea, coupled with general skill in making products based on that idea, but who lack the

Problem	Number of cases	Percentage
Raising Finance	518	17.40
New Business	446	14.16
Marketing and selling	380	12.35
Planning	350	11.11
Export-Import	262	9.27
Financial Management	202	6.41
Insufficient general management skill	180	5.71
Administration	169	5.37
Legal	93	2.85
Budgeting	89	2.83
Debtors and cash flow	80	2.54
Internal production	72	2.34
Other	232	7.38
	3150	100.00

range of other business skills which large companies include in their corporate structure. A manufacturer may lack experience and information on where to find money to finance an expanding business.

The problem is aggravated if money is needed to bring new ideas to fruition, or if the risk is beyond traditional banking limits.

That raises another problem. The "venture capital" concept, whereby high risk activities are financed on the basis that large gains from some schemes will offset inevitable losses in others leading to an overall profit in the financing organisation, is a subject of debate overseas.

Large financial institutions prefer to invest in large companies. Their preference can effectively reduce the "pool" of funds available to the rest of the business community.

The preliminary findings of the Wilson committee in Britain suggest there is a shortage of profitability in

small United Kingdom companies, rather than a shortage of finance. The SBA here is working on a guarantee facility, which should help. We probably avoid the problem outlined to me by a British corporate finance expert with several years' background here.

"You find that 25 per cent of British small businesses can make something and know how to sell. They do not know how to put a proposition to people from totally different social backgrounds who prefer not to know how to make and sell, but who control access to funds".

That comment was made with particular reference to City merchant bankers, but it is one aspect of a worldwide problem. It will be interesting to see if the SBA can devise eventually a workable venture capital scheme for New Zealand, perhaps based either on United States' systems or on the British Industrial and Commercial Finance Corporation.

## TV survives economic crisis

by Peter V O'Brien

THE economy may be in a mess, but consumers still want the baubles of an affluent society. Transvision Holdings Ltd, the Auckland-based TV rental firm, should be thankful that the colour television set (one of the symbols of affluence) is still in reasonable demand.

The recent annual meeting heard that the number of rental contracts at March 31 was about 250 per cent higher than at the same date in 1978. Company chairman John Bolydon described the growth as "phenomenal", a strong term, which may even be an understatement in view of the massive percentage increase.

The sharemarket responded to the news, and pushed the shares up 20 cents in a week. The comment that two senior executives and their families have lifted their shareholdings

to about 40 per cent of the capital may have assisted the price rise.

Last week the price was \$1.90 so the scrip was selling at 8.85 times 1979 earnings of 20.23 cents a share, after excluding extraordinary items from the latest year's profit.

The dividend yield was 1 per cent, on a payment of 11 cents a share which is covered 1.33 times.

A price-earnings multiple of 0.85 for a company in a basically luxury field (although luxuries have a tendency to become necessities in New Zealand) could also be described as "phenomenal". The annual report says "the economy is in a state of flux", another understatement, but the company is planning to "increase television placements and market share again in the current financial year".

The table gives statistics for privately owned and hired colour television sets in the last four December years, with the latter shown as a percentage of total colour sets:

The table gives statistics for privately owned and hired colour television sets in the last four December years, with the latter shown as a percentage of total colour sets:

December Year	Privately Owned	Hired	Hired as per cent of Total Colour
1975	139,595	25,049	15.2
1976	233,290	45,235	19.2
1977	313,290	66,974	17.6
1978	383,558	98,098	20.4

At the end of April, 1979, there were 505,336 licensed colour television sets in the country (about one for every 9 of the population), and 104,533, or 20.7 per cent, were hired. Rising retail prices have helped rental growth, although a combination of higher prices and general cost movements also affect the rental charges on new placements.

A substantial number of hired sets are placed in hotels and motels, but the growth in market penetration is tapering off.

Half a million colour sets is an impressive number for a little over 3 million people.

The increasing preference for rental, as shown in the table, should allow further growth in that section of the market. Transvision is well placed to take a good share of the preference.

It will be interesting to see whether the public continues the movement to rental when the time comes to replace existing sets. Colour television was introduced at the end of 1973, so the replacement market will take time to ap-

Transvision shares opened 1979 at \$1.35 for the \$1 units. Last week they sold at \$1.80 a capital improvement of 33 per cent in six and a half months. Tax paid profit in the year ended March 31, 1979 was \$404,639, compared with \$328,914 in 1978.

The movement in cash flow (net profit after dividends plus depreciation) is more significant for a rental company, and is growing faster than profit. Cash flow was \$2.4 million in 1979, compared with \$880,745 in 1978, and \$668,338 in the previous year.

The acquisition of Amalgamated, Telenora helped the flow last year, but the figure is also rising as a percentage of total assets. Cash flow was 11.35 per cent of total assets at March 31, 1979, compared with 9.87 per cent in the previous year.

Transvision shareholders are doing well, but there may be room for further gains, assuming current financial policies are maintained in future, and that no problems arise with rental payments in tighter economic conditions.

## Exchange rates

As at July 19, 1979 \$NZ is worth:		Malaysia	2.30
Australia	.9042	Netherlands	2.86
Britain	.4460	New Caledonia	
Canada	1.1924	and Tahiti	72.30
Fiji	.8250	Norway	3.95
Japan	216.98	Pakistan	9.82
West Germany	1.8324	Papua-New Guinea	0.44
USA	1.0223	Portugal	48.80
Austria	13.24	Singapore	2.45
Belgium	29.31	South Africa	6.00
China	1.5391	Spain	66.60
Denmark	5.2654	Sri Lanka	0.42
France	4.2710	Sweden	4.00
Greece	36.78	Switzerland	1.42
Hong Kong	5.2860	Western Samoa	2.00
India	7.7997		
Italy	825.52		
		Selling rates supplied by Bank	

## Key indicators

Consumers Price Index — all groups base 1971 = 1000	June 79 Qtr.	1977	1978	1979
Building permits issued	June 79 Qtr.	301,700	307,700	310,100
Official Unemployment — incl those on special work schemes	May 79	\$129,100	\$129,100	\$129,100
NZIC Share Price Index	June 79	30,064	42,310	42,310
Reserve Bank Share Price Index	July 1979	389.17	381.00	381.00
	July 1979	1413	1288	1288

R. A. JARDEN & CO.

STOCK AND SHAREBROKERS

Members of the Wall Street Stock Exchange

9th Floor B.P. House  
Cnr Waring Taylor St &  
Customhouse Quay,  
Wellington, New Zealand

Telephone 735-850  
Box 3394, CPO Wellington  
Telex N.Z. 3567  
Cables: Portfolio, Wellington

**Fletcher REAL ESTATE**

For your Office — Warehouse — Factory Needs

Design & Build — Property Management

Auckland 33-508 Wellington 723-529 Christchurch 799-521

**WELLINGTON CONVENTION BUREAU**

ARE YOU PLANNING:

Conferences, Conventions, Sporting Events

Seminars, or need accommodation for 20-2000

people? We can help you. P.O. Box 28046, Wellington

Phone 729-434, 726-240

## MANUFACTURING APPLICATION SOFTWARE

Hewlett-Packard has supplied computer systems for a wide range of applications for the past 10 years.

Hewlett-Packard has now developed applications software for the 3000 computer series.

The application is based on HP's award winning Image Database Management System. The 3000 operating system is terminal oriented, giving the user the advantage of immediate access to all manufacturing and inventory data. Accurate and up-to-date.

We are planning a series of seminars on this subject, to be held in Auckland and Wellington on August 6-10.

For an invitation to these seminars, contact  
AUCKLAND: JOHN WADSWORTH, PHONE 568066  
WELLINGTON: DAVE KNIGHT, PHONE 877199  
Or write to Box 9443, Wellington

# Live a little better. Spend a little less.

Check our reduced winter tariff.  
Stay in Rotorua  
at the Shaw Savill Caravel.

You can stay right at the centre of Rotorua's world-famous attractions, enjoy international standards of accommodation and cuisine — fully licensed bar and restaurant, friendly attentive service, thermally-heated pool, the liveliest entertainment for miles around — and pay a little less than you might pay anywhere else. Call anytime and let us discuss your needs.



**SHAW SAVILL  
Caravel**

Caravel Hotel  
Fenton St., Rotorua.  
Telex N22656



# ECONOMIC INDICATORS

## EXTERNAL TRADE

As recorded in Reserve Bank record of Overseas Exchange Transactions.

	Period	Latest	Previous Year	% Change
<b>Exports</b>				
Meat	May 79	\$150.8m	\$92.5m	63.0
	May 79 yr	\$1176.8m	\$888.0m	31.0
Wool	May 79	\$76.6m	\$68.4m	12.0
	May 79 yr	\$736.7m	\$608.4m	21.0
Dairy Products	May 79	\$74.9m	\$137.5m	-46.0
	May 79 yr	\$572.0m	\$825.6m	-30.0
Forest	May 79	\$28.4m	\$20.3m	40.0
	May 79 yr	\$307.8m	\$283.2m	9.0
Manufactured	May 79	\$65.3m	\$38.9m	68.0
	May 79 yr	\$653.1m	\$496.6m	32.0
Total Exports	May 79	\$464.2m	\$339.5m	34.0
	May 79 yr	\$4052.0m	\$3392.8m	19.0
<b>Imports</b>				
Government	May 79	\$11.6m	\$17.1m	-32.0
	May 79 yr	\$189.4m	\$179.2m	6.0
Private	May 79	\$300.7m	\$234.4m	28.0
	May 79 yr	\$3122.5m	\$2855.5m	9.0
Total Imports	May 79	\$312.3m	\$251.5m	24.0
	May 79 yr	\$3311.8m	\$3034.8m	9.0
Balance on Trade Transactions	May 79	+\$142.0m	+\$88.0m	61.0
	May 79 yr	+\$740.1m	+\$358.1m	+107.0
Balance on Invisibles	May 79	-\$144.3m	-\$107.6m	34.0
	May 79 yr	-\$1124.5m	-\$870.0m	29.0
Official Overseas Reserves	May 79	\$1043.5m	\$971.9m	7.0

## FREIGHT MOVEMENTS

Shipping Cargo carried	Mer 79	3010	3355	10.0
— 000 tonnes	Mer 79 yr	32,436	35,757	9.0
Rail Freight Carried	Apr 24, 1979	930	870	7.0
— 000 tonnes	Apr 79 yr	11726	12,335	5.0

## FINANCIAL

Reserve Bank Advances	Mer 28, 79	\$587.8m	\$1079.3m	-46.0
Trading Bank Advances	May 16, 79	\$3299.8m	\$6262.8m	25.0
N.Z. Overseas Transactions				
— balance on all transactions	May 79	-\$179.4m	-\$41.3m	2.0
— value of goods sold	May 79 yr	\$333.3m	\$465.8m	14.0
Mortgage Interest Rates — average	May 79	11.05	10.71	3.0
Govt short-term securities — average yield	May 79	11.23	8.48	32.0
Govt long-term securities — average yield	May 79	12.95	9.99	30.0
Land transfers (value of land sold)	May 79	\$272.8m	\$220.0m	24.0
	Mer 79 yr	\$3542.5m	\$2550.4m	39.0
Mortgages registered (value)	May 79	\$190.5m	\$175.3m	9.0
	Mer 79 yr	\$2187.2m	\$1810.6m	21.0
Mortgages discharged (value)	May 79	\$87.5m	\$69.8m	25.4
	Mer 79 yr	\$998.8m	\$906.6m	10.2
Bank holidays (number)	Apr 79	54	46	17.0
Sales tax collected (value)	Apr 79 yr	612	441	16.0
	Mer 79 yr	\$32.5m	\$31.4m	4.0
	Apr 79 yr	\$33.6m	\$424.5m	-21.0
	Apr 79 yr	\$40.6m	\$33.6m	21.0
	Apr 79 yr	\$477.1m	\$393.5m	1.0

## LABOUR FORCE

Industrial stoppages (working days lost)	Mar 79	83,455	88,226	-5.0
	Mar 79 qtr	375,480	452,582	-17.0
Normal weekly wage rates index	Mar 79 qtr	1147	1029	11.0
Effective weekly wage rates index	Mar 79 qtr	1019	1009	1.0
(Base 1977-1000)				
Vacancies at month end	April 79	27,898	1412	27.0
Unemployment at month end	April 79	14,997	21,502	14.0
People on special work scheme at month end	April 79	26,598	13,584	88.0
Migration	April 79	-19,770	-14,972	32.0

Total New Zealand population	Mer 79 qtr	3,144,600	3,145,900	63.0
Births	Mer 79 qtr	51,522	53,246	-3.0
Deaths	Mer 79 qtr	24,804	25,934	-4.0

## PRODUCTION

Electricity generation	April 79	1686	1596	6.0
— Million kWh	April 79 yr	22010	21542	2.0
Coal production	Mar 79	166.5	188.7	-12.0
— 000 tonnes	Mar 79 yr	2071.2	2178.6	-5.0
Gas production	Mar 79	4007.0	4851.3	-17.0
— million megajoules	Mar 79 yr	55762.6	61819.1	-10.0
Motor spirit — petroleum prod.	May 79	167207	60657	175.0
— million litres	May 79 yr	1682419	1684875	17.0
Motor vehicles assembly	Mer 79	6378	4437	39.0
(no. of vehicles)	Mer 79 yr	63398	58416	9.0
Building work put in place	Sept 78 qtr	\$302.2m	\$302.4m	-13.0
— (value)	Sept 78 yr	\$1140.7m	\$1308.9m	-13.0
Television sets	Dec 78 qtr	25219	23208	8.7
(units)	Dec 78 yr	39988	119086	-24.4
All plastic products	Dec 78	\$70.7m	\$60.6m	17.0
	Dec 78 yr	\$255.3m	\$252.3m	-1.0

## INTERNAL TRADE

Consumer price index (base 1977 1000)	Mar 79 qtr	1177	1047	11.0
Retail trade — total turnover	Feb 79	\$526.41m	\$464.5m	13.0
— current prices	Feb 79 yr	\$5830.0	\$5180.0	4.0
Total turnover	Dec 78 qtr	\$833.09m	\$802.05m	4.0
— 1974 prices	Dec 78 yr	\$3294.61m	\$3231.53m	2.0
Per head	Dec 78 qtr	\$463.01	\$391.6m	16.0
— current prices	Dec 78 yr	\$1860.0	\$1653.2m	13.0
— 1974 prices	Dec 78 qtr	\$264.64m	\$226.3m	12.0
	Dec 78 yr	\$1049.34m	\$1038.9m	1.0
Wholesale trade total turnover	Dec 78 qtr	\$1518.2m	\$1279.3m	19.0
— current prices	Dec 78 yr	\$6096.0m	\$5393.9m	13.0
Stocks — Manufacturers	Dec 78 qtr	\$2079.2m	\$2068.6m	1.0
— Wholesalers	Dec 78 qtr	\$872.4m	\$821.0m	6.0
— Retailers	Dec 78 qtr	\$880.0m	\$879.4m	0.0

# Economic News

## Industrial Stoppages

The following table contains information released by the Department of Statistics, on industrial stoppages for the quarter ending 31st March 1979

Item	March 1979 Quarter*	March 1978 Qtr
Total number of stoppages	177	232
Total duration	4,270	5,100
Number of workers involved	51,332	54,000
Working days lost	88,354	100,000
Average days lost per worker involved	1.72	1.85
Approx. loss in wages (\$'000)	2,735.6	3,000.0
*Provisional		

# Sharemarket News

## Bonus Issues of Ordinary Shares Pending

Company	Ratio	Meeting	BKS Close Inclusive
Airwork	1:10	24 8	1 Sep
Aurora	1:5	MEI	—
BNSW	1:5	21 7	1 Aug
+ Ceramco	1:10A	—	1 Sep
+ Dmclwaf	1:10A	—	1 Sep
Eldersgm	1:4	10 8	1 Aug
Healing	1:10	24 7	3 Aug
Indchem	1:5	11 11	15 Aug
Jamesay	1:4	25 7	31 Jul
Lustrold	1:3	2 7	1 Aug
Mim	1:4	21 8	12 Oct
+ NZMC	1:5A	9 8	15 Aug
+ NZSteel	1:10A	21 8	31 Aug
+ NZTS	1:10A	24 7	28 Jul
Progent	1:5	1 8	18 Aug
Smithbio	1:5	21 8	25 Aug
Skelton	1:10	14 8	18 Aug
+ Wilneill	1:8A	—	—

A = Shares arising from bonus issue participate in dividend, one schedule  
 + = Changed Rates  
 \* = Additional or amended information

## Current Debenture Issues

Company	Open	14 Feb 1979
A.A. Finance	10	10
Affiliated Finance	10	10
Auric Corporation	10	10
Aust Guaranties	10	10
BNZ Finance	10	10
Bowling Burgess	10	10
Broadlands	10	10
Challenger	10	10
Credit & Investments	10	10
Crown Finance	10	10
Finance & Discounts	10	10
F & P Dealer Rentals	10	10
*General Finance	10	10
Foodstuffs (Otago Southland)	10	10
International Harvester	10	10
Lake Ohau Ski Field	10	10
Lombard N.Z.	10	10
Marec Holdings	10	10
Medical Securities	10	10
N.Z. Finance	10	10
Peterson & Barr Finance	10	10
Retail Developments Ltd	10	10
South Canterbury Finance	10	10
Tappenden	10	10
Transvaal	10	10
U.D.C. Deb Stock	10	10
+ Unsecured NTS	10	10
*Changed Rates	10	10

## Share Price Index Statistics April, 1979

Year to Date	High	Low
1979	343.37 (Apr)	317.10 (Feb)
Month	High	Low
1979	336.68	325.80
Year to Date	High	Low
1978	1483 (Apr)	1341 (Feb)
Month to date	High	Low
1978	1433	1376

## MONTHLY TURNOVER

Year to Date	High	Low
1979	1483 (Apr)	1341 (Feb)
Month to date	High	Low
1978	1433	1376

# NBR SHAREMARKET SURVEY

WEEK ENDING JULY 19, 1979

1979 High Low	Last Sale	Week's High	Week's Low	Dividend	Reported Turnover	Dividend Yield	P/E Ratio	1979 High Low	Last Sale	Week's High	Week's Low	Dividend	Reported Turnover	Dividend Yield	P/E Ratio	
111 100	110	110	110	12.0	0	5.5	4.3	190 170	JOSTHRS	105	185	185	12.0	4500	0.5	4.0
220 190	190	220	220	200	200	12.0	6.5	4.0	RENN-DATTIA	210	211	211	6.0	100	4.1	25.3
110 90	90	110	110	11.0	0	10.5	4.8	40 40	RENN-DATTIA	210	211	211	6.0	100	4.1	25.3
150 105	105	150	150	20.0	0	9.4	5.3	40 40	LAMES, SOC	188	188	188	11.1	200	11.1	2.6
255 220	220	255	255	16.0	0	7.2	5.1	212 180	L.J. NATHAN	188	190	185	14.0	19700	7.4	4.4
260 230	230	260	260	14.0	0	10.4	3.5	50 50	LYMAN, SOC	95	95	95	12.0	29500	11.1	2.6
153 147	147	153	153	11.0	0	9.0	4.0	20 71	LEON	29	29	29	20.5	19600	7.1	37.3
210 200	200	210	210	12.0	0	6.5	0.7	35 15	L.W. OIL, SOC	25	25	22	12.5	19600	7.1	37.3
143 120	120	143	143	12.0	0	6.5	1.3	205 215	LUNDA	215	215	215	13.0	192	13.0	1.0
125 110	110	125	125	14.0	0	12.7	5.0	132 112	MARZEL CORP, SOC	112	132	132	16.0	500	4.1	3.1
260 245	245	260	260	17.0	0	6.9	5.0	220 105	MARZEL, SOC	215	215	215	23.0	1700	5.0	5.4
240 210	210	240	240	18.0	0	14.0	5.0	120 100	MARZEL, SOC	110	120	120	13.0	900	1.9	3.7
150 125	125	150	150	12.0	0	9.0	6.0	185 155	AMNIEL	105	122	122	10.0	0	5.4	3.8
330 287	287	330	330	17.0	0	5.0	6.4	170 170	MARSE	105	122	122	10.0	0	5.4	3.8
315 275	275	315	315	12.0	0	5.2	5.7	140 112	MCKINLEY, SOC	105	122	122	10.0	0	5.4	3.8
715 173	173	715	715	20.0	0	9.3	5.5	160 145	MCKINLEY, SOC	105	122	122	10.0	0	5.4	3.8
40 40	40	40	40	13.0	0	9.5	5.5	120 61	MCKINLEY, SOC	105	122	122	10.0	0	5.4	3.8
223 183	183	223	223	11.0	0	5.6	7.2	120 125	MCKINLEY, SOC	105	122	122	10.0	0	5.4	3.8
90 20	20	90	90	11.0	0	11.7	4.1	120 125	MCKINLEY, SOC	105	122	122	10.0	0	5.4	3.8
79 50	50	79	79	11.0	0	9.0	7.0	120 125	MCKINLEY, SOC	105	122	122	10.0	0	5.4	3.8
43 40	40	43	43	11.0	0	9.0	7.0	120 125	MCKINLEY, SOC	105	122	122	10.0	0	5.4	3.8
36 33	33	36	36	11.0	0	9.0	7.0	120 125	MCKINLEY, SOC	105	122	122	10.0	0	5.4	3.8
14 14	14	14	14	11.0	0	9.0	7.0	120 125	MCKINLEY, SOC	105	122	122	10.0	0	5.4	3.8
150 150	150	150	150	11.0	0	9.0	7.0	120 125	MCKINLEY, SOC	105	122	122	10.0	0	5.4	3.8
54 52	52	54	54	11.0	0	9.0	7.0	120 125	MCKINLEY, SOC	105	122	122	10.0	0	5.4	3.8
250 201	201	250	250	11.0	0	9.0	7.0	120 125	MCKINLEY, SOC	105	122	122	10.0	0	5.4	3.8
77 55	55	77	77	11.0	0	9.0	7.0	120 125	MCKINLEY, SOC	105	122	122	10.0	0	5.4	3.8
140 105	105	140	140	11.0	0	9.0	7.0	120 125	MCKINLEY, SOC	105	122	122	10.0	0	5.4	3.8
90 20	20	90	90	11.0	0	11.7	4.1	120 125	MCKINLEY, SOC	105	122	122	10.0	0	5.4	3.8
79 50	50	79	79	11.0	0	9.0	7.0	120 125	MCKINLEY, SOC	105	122	122	10.0	0	5.4	3.8
43 40	40	43	43	11.0	0	9.0	7.0	120 125	MCKINLEY, SOC	105	122	122	10.0	0	5.4	3.8
36 33	33	36	36	11.0	0	9.0	7.0	120 125	MCKINLEY, SOC	105	122	122	10.0	0	5.4	3.8
14 14	14	14	14	11.0	0	9.0	7.0	120 125	MCKINLEY, SOC	105	122	122	10.0	0	5.4	3.8
150 150	150	150	150	11.0	0	9.0	7.0	120 125	MCKINLEY, SOC	105	122	122	10.0	0	5.4	3.8
54 52	52	54	54	11.0	0	9.0	7.0	120 125	MCKINLEY, SOC	105	122	122	10.0	0	5.4	3.8
250 201	201	250	250	11.0	0	9.0	7.0	120 125	MCKINLEY, SOC	105	122	122	10.0	0	5.4	3.8
77 55	55	77	77	11.0	0	9.0	7.0	120 125	MCKINLEY, SOC	105	122	122	10.0	0	5.4	3.8
140 105	105	140	140	11.0	0	9.0	7.0	120 125	MCKINLEY, SOC	105	122	122	10.0	0	5.4	3.8
90 20	20	90	90	11.0	0	11.7	4.1	120 125	MCKINLEY, SOC	105	122	122	10.0	0	5.4	3.8
79 50	50	79	79	11.0	0	9.0	7.0	120 125	MCKINLEY, SOC	105	122	122	10.0	0	5.4	3.8
43 40	40	43	43	11.0	0	9.0	7.0	120 125	MCKINLEY, SOC	105	122	122	10.0	0	5.4	3.8
36 33	33	36	36	11.0	0	9.0	7.0	120 125	MCKINLEY, SOC	105	122	122	10.0	0	5.4	3.8
14 14	14	14	14	11.0	0	9.0	7.0	120 125	MCKINLEY, SOC	105	122	122	10.0	0	5.4	3.8
150 150	150	150	150	11.0	0	9.0	7.0	120 125	MCKINLEY, SOC	105	122	122	10.0	0	5.4	3.8
54 52	52	54	54	11.0	0	9.0	7.0	120 125	MCKINLEY, SOC	105	122	122	10.0	0	5.4	3.8
250 201	201	250	250	11.0	0	9.0	7.0	120 125	MCKINLEY, SOC	105	122	122	10.0	0	5.4	3.8
77 55	55	77	77	11.0	0	9.0	7.0	120 125	MCKINLEY, SOC	105	122	122	10.0	0	5.4	3.8
140 105	105	140	140	11.0	0	9.0	7.0	120 125	MCKINLEY, SOC	105	122	122	10.0	0	5.4	3.8
90 20	20	90	90	11.0	0	11.7	4.1	120 125	MCKINLEY, SOC	105	122	122	10.0	0	5.4	3.8
79 50	50	79	79	11.0	0	9.0	7.0	120 125	MCKINLEY, SOC	105	122	122	10.0	0	5.4	3.8
43 40	40	43	43	11.0	0	9.0	7.0	120 125	MCKINLEY, SOC	105	122	122	10.0	0	5.4	3.8
36 33	33	36	36	11.0	0	9.0	7.0	120 125	MCKINLEY, SOC	105	122	122	10.0	0	5.4	3.8
14 14	14	14	14	11.0	0	9.0	7.0	120 125	MCKINLEY, SOC	105	122	122	10.0	0	5.4	3.8
150 150	150	150	150	11.0	0	9.0	7.0	120 125	MCKINLEY, SOC	105	122	122	10.0	0	5.4	3.8
54 52	52	54	54	11.0	0	9.0	7.0	120 125	MCKINLEY, SOC	105	122	122	10.0	0	5.4	3.8
250 201	201	250	250	11.0	0	9.0	7.0	120 125	MCKINLEY, SOC	105	122	122	10.0	0	5.4	3.8
77 55	55	77	77	11.0	0	9.0	7.0	120 125	MCKINLEY, SOC	105	122	122	10.0	0	5.4	3.8
140 105	105	140	140	11.0	0	9.0	7.0	120 125	MCKINLEY, SOC	105	122	122	10.0	0	5.4	3.8
90 20	20	90	90	11.0	0	11.7	4.1	120 125	MCKINLEY, SOC	105	122	122	10.0	0	5.4	3.8
79 50	50	79	79	11.0	0	9.0	7.0	120 125	MCKINLEY, SOC	105	122	122	10.0	0	5.4	3.8
43 40	40	43	43	11.0	0	9.0	7.0	120 125	MCKINLEY, SOC	105	122	122	10.0	0	5.4	3.8
36 33	33	36	36	11.0	0	9.0	7.0	120 125	MCKINLEY, SOC	105	122	122	10.0	0	5.4	3.8
14 14	14	14	14	11.0	0	9.0	7.0	120 125	MCKINLEY, SOC	105	122	122	10.0	0	5.4	3.8
150 150	150	150	150	11.0	0	9.0	7.0	120 125	MCKINLEY, SOC	105	122	122	10.0	0	5.4	3.8
54 52	52	54	54	11.0	0	9.0	7.0	120 125	MCKINLEY, SOC	105	122	122	10.0	0	5.4	3.8
250 201	201	250	250	11.0	0	9.0	7.0	120 125	MCKINLEY, SOC	105	122	122	10.0	0	5.4	3.8
77 55	55	77	77	11.0	0	9.0	7.0	120 125	MCKINLEY, SOC	105	122	122	10.0	0	5.4	3.8
140 105	105	140	140	11.0	0	9.0	7.0	120 125	MCKINLEY, SOC	105	122	122	10.0	0	5.4	3.8
90 20	20	90	90	11.0	0	11.7	4.1	120 125	MCKINLEY, SOC	105	122	122	10.0	0	5.4	3.8
79 50	50	79	79	11.0	0	9.0	7.0	120 125	MCKINLEY, SOC	105	122	122	10.0	0	5.4	3.8
43 40	40	43	43	11.0	0	9.0	7.0	120 125	MCKINLEY, SOC	105	122	122	10.0	0	5.4	3.8
36 33	33	36	36	11.0	0	9.0	7.0	120 125	MCKINLEY, SOC	105	122	122	10.0	0	5.4	3.8
14 14	14	14	14	11.0	0	9.0	7.0	120 125	MCKINLEY, SOC	105	122	122	10.0	0	5.4	3.8
150 150	150	150	150	11.0	0	9.0	7.0	120 125	MCKINLEY, SOC	105	122	122	10.0	0	5.4	3.8
54 52	52	54	54	11.0	0	9.0	7.0	120 125	MCKINLEY, SOC	105	122	122	10.0	0	5.4	3.8
250 201	201	250	250	11.0	0	9.0	7.0	120 125	MCKINLEY, SOC	105	122	122	10.0	0	5.4	3.8
77 55	55	77	77	11.0	0	9.0	7.0	120 125	MCKINLEY, SOC	105	122	122	10.0	0	5.4	3.8
140 105	105	140	140	11.0	0	9.0	7.0	120 125	MCKINLEY, SOC	105	122	122	10.0	0	5.4	3.8
90 20	20	90	90	11.0	0	11.7	4.1	120 125	MCKINLEY, SOC	105	122	122	10.0	0	5.4	3.8
79 50	50	79	79	11.0	0	9.0	7.0	120 125	MCKINLEY, SOC	105	122	122	10.0	0	5.4	3.8
43 40	40	43	43	11.0	0	9.0	7.0	120 125	MCKINLEY, SOC	105	122	122	10.0	0	5.4	3.8
36 33	33	36	36	11.0	0	9.0	7.0	120 125	MCKINLEY, SOC	105	122	122	10.0	0	5.4	3.8
14 14	14	14	14	11.0	0	9.0	7.0	120 125	MCKINLEY, SOC	105	122	122	10.0	0	5.4	3.8
150 150	150	150	150	11.0	0	9.0	7.0	120 125	MCKINLEY, SOC	105	122	122	10.0	0	5.4	3.8
54 52	5															



## Paring the millions in the medicine cabinet

by Belinda Gillespie

HEALTH Minister George Gair has applied himself assiduously to the task of telling health professionals what big spenders they are. Hospitals, in particular, have felt the stick. Doctors and pharmacists, too, have become familiar with the health expenditure data which Gair trots out at their annual conferences.

The Budget did not fulfil the worst fears of health administrators. With the announcement of restraints on hospital board grants earlier in the year, Gair's biggest gun had already been fired.

On June 21, PM Rob Muldoon simply pointed out the growth in health expenditure to 5.7 per cent of GNP, and called for restraint through "controlled utilisation of resources."

He made the predictable call for "continuing change in emphasis from institutional to community health care," backed up with \$6.7 million the Government is providing this

year to finance "approved community health projects," and references to other developments in the public health field.

In view of the continued spending on hospitals of \$682 million — a healthy slice of the health estimate of \$1040 million — the few crumbs the Government is casting to community services can hardly be seen as a decisive change in emphasis.

But if they say it long enough and often enough, and if all the children in the world clap hands, perhaps the Government vision of a cheap, community based health service, where individuals face up to their responsibilities and stop smoking, drinking and overeating but not enough to undermine the liquor, tobacco or dairy industries) will come true.

Skimmed lightly over was the financial support to be given to an executive manpower planning workshop.

Behind this is the projected over-supply of doctors and other health professionals, the



GOOD HEALTHKEEPING

threat of a shortage of jobs in the health services in the near future, and cutbacks of student intake to training schools.

Even more dramatic moves may be planned, such as closure of the Wellington or Christchurch Clinical Schools of Medicine, which were opened only a few years back in the then firm certainty that doctors would be thin on the ground.

Private hospital patients are among the few to benefit substantially from this year's health spending, with \$5 in-

creases in daily benefits for medical and geriatric patients, and \$3 for surgical and maternity patients.

Gair has been making threatening noises about pharmaceutical benefits since the beginning of the year.

There were heavy pre-Budget hints that a prescription charge would be introduced. "I wonder whether the patient would value his medicine more if he had to pay a cost?" Gair asked the doctors at the New Zealand Medical Association conference in April.

After all the softening up, the Budget did no more than point out the Government's concern at the 16 per cent growth in expenditure projected in the Estimates, to an expected total of \$133.7 million.

Though a prescription charge had been considered, the Government had decided "not to proceed with this at the present time."

Instead, discussions were to be pursued with doctors and pharmacists "in an effort to find administrative ways "to



GEORGE GAIR... biggest gun fired.

reduce the rate of growth of the drug bill.

Gair called doctors and pharmacists together for a meeting on cost control on July 24.

For the first time for years, Health Department spending on drugs in 1978-79 was inside the budget. The vote last year was \$116,590 million. The actual cost was more than \$2 million less.

The Health Service Computer, according to the recent report from A.C. Shalles, the Auditor-General, could be a more fruitful area for the Minister to consider savings.

The actual cost of the programme till March this year had been \$23.7 million, as against the 1978 Health Department estimate for \$18.4 million on March 1980.

Last year, according to the estimates, the data processing services exceeded their budget by about \$600,000 or nearly a per cent. They have taken a cut for next year of more than \$1.5 million.

But for those in the health services, the question is not so much the current costs of a computer service, but while the Health Department may need an "all singing, all dancing" computer.

Putting more resources in a bad design system — that the dubious value of a key central computer, when a simpler local one would do better job — is throwing money after bad.

Further, of the \$25 million spent on the computer, it has been no direct benefit for patients — and it is advice — "further development should not be proceeded with until the present systems are operating satisfactorily" is taken, it will be none in the forecast future.

## Exhibitor boycott bid fails to win support

by John Draper

AUSTRALIAN exhibitors are boycotting Wellington's World Trade Fair next month.

But Australian pressure on other exhibitors to withdraw, particularly those from Scandinavia, has failed.

Fair organisers claim the Australian Trade Commissioner convened a meeting late last year at the United States Embassy in Wellington to discuss the fair's future.

After that meeting, the Australian Government made it known that it would not be supporting Australian manufacturers in any way at this year's trade fair.

In the past, the Australian Government has been one of the main supporters of the fair which is held alternately every two years in Auckland and Wellington.

The length of the fair, up to 21 days, and the admission of the public have been the points the Australians objected to most.

This year, the fair has been reduced to 13 days. But the promoters are unmoved by suggestions that the venue should be Auckland.

Exhibitors want a shorter fair. They make their money during the three or four trade days and regard the public days as an unwanted cost.

The promoters want the public in. That's how they make their profit.

This year around 400,000 visitors paying \$1.50 a ticket are expected.

Several years ago the Australians decided to place more emphasis on the Auckland Easter Show as a venue to an arrangement of the organisers for a premier exhibition site.

That arrangement has failed, but so has Australian involvement in the world trade fair.

Australian Trade Commissioner Doug Gales has there has been an organic boycott.

"That is the wrong interpretation," he said. "If Australian firms want to participate then that is a matter for them to decide."

Australian firms or agents would not be getting any Government support in exhibiting, he said.

Scandinavian exhibitors originally intended to follow the Australian through the fair have come back in much to the organisers' relief.

This year's show, the August 21 to September 2, is bigger, and the organisers hope better, than any before. China will be the largest exhibitor with the USA, Britain and Japan vying for second place.

Other countries as well as the Asia block, with the exception of Malaysia, will be well represented.

The British have reduced their commitment, though much of the space they have taken in the past will be used by the New Zealand Trade Corporation.

Cara, it seems, will dominate the fair.



"It's not money we want but know how. Tell me—how did you manage to stop foreigners owing your oil?"

## Refugees: an economic plus

by John Draper

REFUGEE economics dictate that New Zealand will grow richer by giving a home to 1800 Vietnamese boat people.

Refugees according to the influential London based Economist, are net creators of wealth.

Their resilience and determination to provide a good standard of living for themselves ensures they are not a burden on their benefactors for long.

And New Zealand has a long history of extending a helping hand.

In 1944, homes were found for 700 Polish orphan children. After the war Russian Jews were resettled followed by Hungarians in 1956, Czechs in 1968 and Ugandan Asians and Chileans in the 1970s.

All have been readily absorbed into the New Zealand way of life.

The Vietnamese boat people and refugees from Kampuchea are the biggest single group to be taken by New Zealand.

By mid-1981, 3500 will have settled here.

Each will cost the taxpayer around \$1000 for the trip from a camp in Malaysia or Thailand and three weeks in the Mangere reception centre.

The centre, which can take 134 refugees at a time when fully stretched, or 100 more comfortably, is operated by the Labour Department with

staff help from the Education Department.

Social Welfare chips in with a little cash, but the bulk of the cost and help is provided by volunteer groups.

The Inter Church Commission for immigration, the ICC, is the largest. But more recently the Rotary organisation has begun sponsoring refugee families.

Immigration Department assistant secretary Peter Jones admits the settlement programme works so successfully only because of the voluntary groups.

"We appreciate their work very much," he said.

Jones says the criteria for selecting refugees from the camp is "very simple".

First, they must be designated refugees by the United Nations and then they must be able to adapt to the New Zealand way of life.

In practice, it means the young family who may have relatives already living in New Zealand and judged to be most in need gets accepted.

Sometimes grandparents are allowed in, particularly where the whole family has escaped together.

Skills vary. Many are fishermen, soldiers and manual workers. But there are a number of professionals, such as teachers, doctors and dentists, among their ranks.

Morale is said to be high among the refugees, most of whom originally hoped to go to the United States.

After an introduction to the New Zealand way of life on basic language classes the refugee is passed on to a sponsor.

Sponsors are closely scrutinised by the ICC and the Immigration Department.

Often with the backing of the church or a group of friends, they find and rent a home for the refugee, furnish it and find a job for the breadwinner.

Second-hand clothing helps, specially for the Indo-Chinese who find the local winter hard to adjust to.

And the refugees take surprisingly little time to get on their own feet and be self supporting.

Despite high unemployment and the economic downturn, jobs for the refugees are not difficult to find.

ICC vice-chairman Jack Nolan says: "If people really want to work there is work to be found for them somewhere."

For many, the first job is menial but once the refugees

have learnt to speak and write English, they frequently move to more skilled and better paid occupations.

Few have fallen on hard times and needed the benefit of further state support.

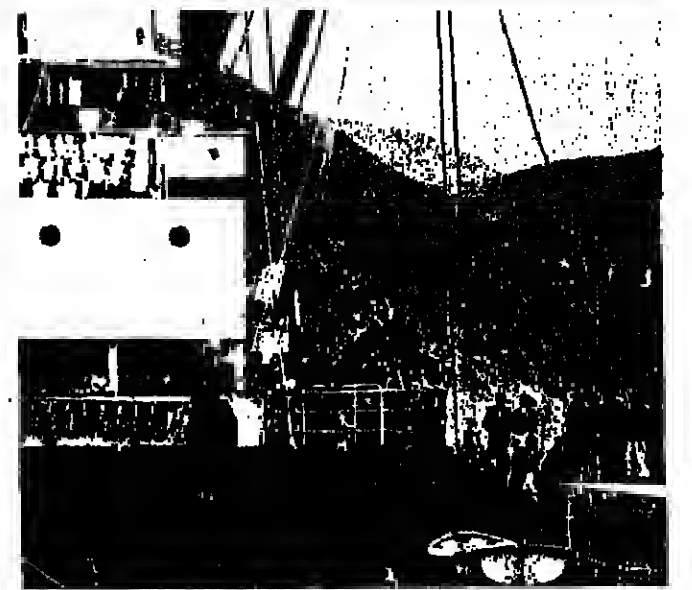
In the tradition of most immigrants, the refugees are eager to establish themselves in their own homes and frequently in their own businesses.

The ICC claims New Zealand is not doing enough for the Vietnamese boat people, who are leaving their homeland in a variety of craft at a rate of 50,000 a month.

More than 150,000 have arrived on beaches from Hong Kong to Indonesia this year bringing the total awaiting resettlement to around 300,000.

The Economist estimates that at least one million more ethnic Chinese and an unknown quantity of Vietnamese refugees may be squeezed from southern Vietnam by the Communist Government.

At present, for every one being resettled in China, and



EXODUS... workforce floats in hope.

the United States (the two nations that have done most so far), France, Britain and other Western nations, three more are arriving in the already crowded camps.

The ICC says New Zealand can easily cope with more.

But the Immigration Department claims that 100 a month is "a realistic rate".

ICC vice chairman Jack Nolan says 2000 a year could be handled.

"But I am dead against those who advocate bringing in people in their thousands, settling them in special camps. People coming here for refuge want to become citizens of a free country, they do not want to be underprivileged again," he said.

## ARE YOU INVOLVED IN PERSONNEL, TRAINING OR INDUSTRIAL RELATIONS?

If you are you may be interested in the Diploma in Personnel Management - DIP PERSONNEL.

### What is the DIP PERSONNEL?

An intensive nine months course which combines the critical areas of Personnel Management with the fundamental disciplines of General Management.

The Diploma covers the following functional areas in detail: Personnel Management, Industrial Relations, Training and Development. It also deals with Business Law, Behavioural Science, General Management, Business Statistics, Economics and Accounting.

### What are the objectives of the DIP PERSONNEL course?

The course provides delegates with an opportunity to study theories and practice in modern Personnel Management. Working in conjunction with members of the Advanced Business Programme delegates acquire skills in the application of research findings by means of a programme with a practical orientation.

### Why should I be interested in the DIP PERSONNEL course?

If you are already working in the areas of Personnel, Training, and Industrial Relations and wish to widen your expertise and knowledge, this course will be of great assistance.

If you are interested in Personnel and wish to make this your career, the programme is an essential foundation.

### Who is eligible for admission?

Graduates with at least 2 years experience, or non-graduates with the necessary expertise and training may apply.

Organisations who wish to develop members of their Personnel Team may sponsor them.

### Who to contact?

If you wish to apply for the Dip Personnel or if you wish to know more about this programme please write to:-

The Director  
Advanced Business Programme  
**UNIVERSITY OF OTAGO**  
P.O. Box 66, DUNEDIN



## How do you spot a person wearing insurance that fits?

His commercial Insurance is with Royal.

He knows that financial security is vital. Like businessmen everywhere, he wants insurance that meets his own specific requirements. Royal recognise this. They realise that he wants insurance tailored to fit his needs exactly. That's why this New Zealand businessman turned to Royal.

Whether your business is big or small, Royal gives the same professional, personal

advice and service ensuring you get the protection you require.

Royal Insurance has assets exceeding \$4,000,000,000 and is represented in over 80 countries.

If you want insurance that fits your requirements, talk to your Broker, agent or Royal Insurance office.

**Royal Insurance**  
Insurance that fits

Personal - Commercial - Industrial - Life

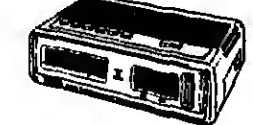
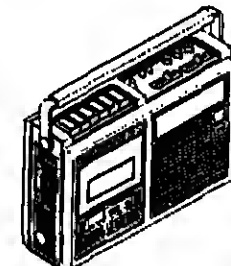
## Introducing the Thorn CR2-switched on for fast movers.

A neat little wallet-sized radio that's also a supremely accurate digital clock. Switches on the breakfast session — buzzes you for important dates — times you perfectly from place to place. Plays important programmes when you want them — has a private line for your ears alone. It's just like having your own personal valet in your pocket!

means music to your ears  
**THORN**

### THORN 624Z CASSETTE RECORDER

The "total-system" cassette-recorder and AM/FM portable radio that swings along with you wherever you go. Captures party fun, favourite discs, to turn any occasion into a swinging scene.

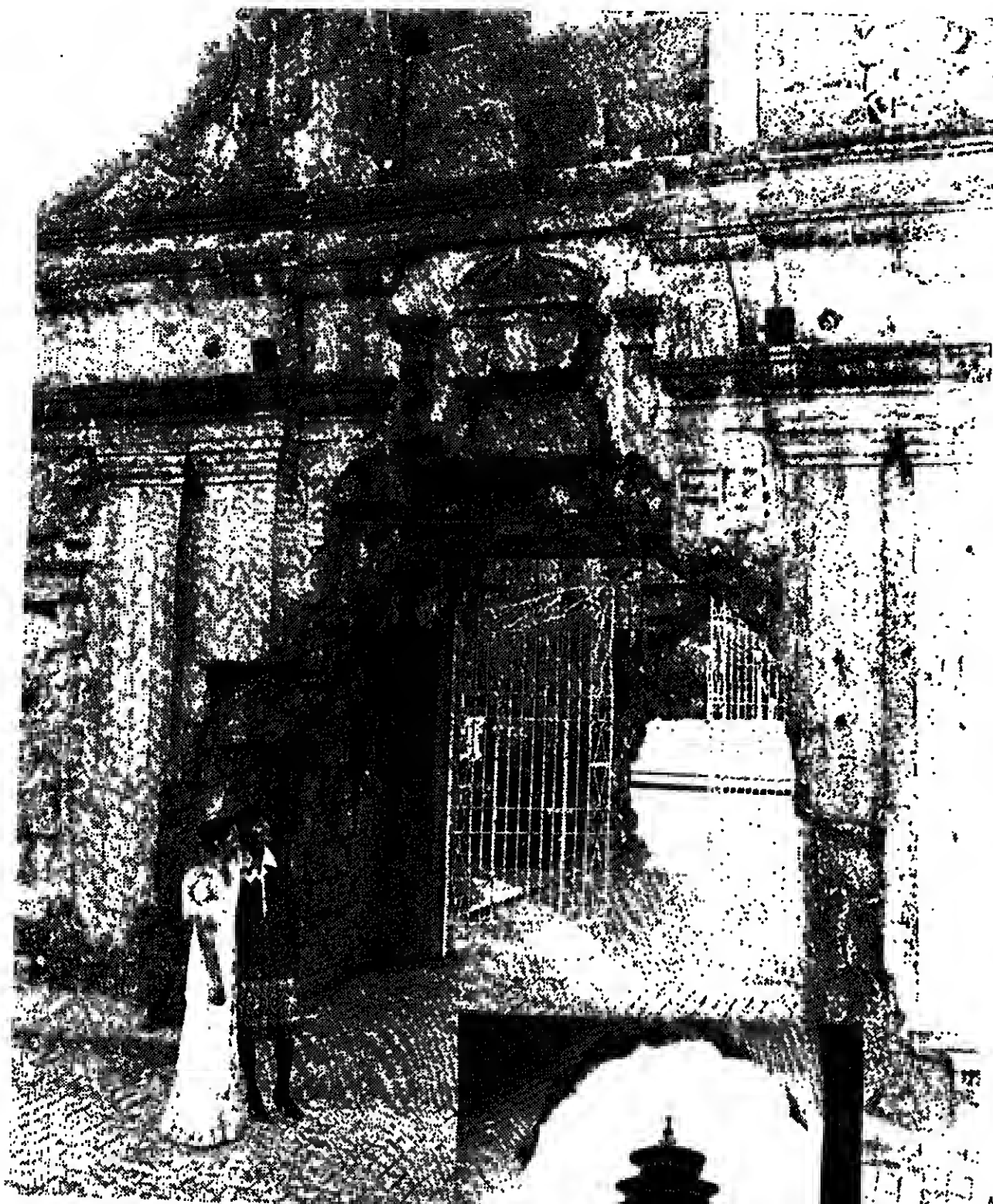


**THORN CR1 CLOCK RADIO**  
The compact bedside modern clock radio that lullabye's you to sleep, gently wakes you to music.

THORN RADIO INDUSTRIES N.Z. LIMITED  
P.O. Box 59-061, Mangere Bridge, Auckland.  
36 - 38 Hastie Avenue, Mangere, Auckland.





Main Gate, Fort Santiago  
Intramuros, Manila.Temple of Huayin,  
Peking.

# Philippine Airlines opens a new gate to China

From August 1, Manila-Canton-Peking.\*  
Twice Weekly.

PEKING  
(BEIJING)  
CANTON  
(GUANGZHOU)  
MANILA

From August 1, China becomes more accessible than ever from Australia. From Manila, Philippine Airlines' afternoon flights depart on Wednesdays and Saturdays, connecting Australia and the world not only with Peking, but Canton as well. From Sydney, three flights a week, from Melbourne, two flights a week will land you in Manila to stay a few days or overnight on your way to China.

Philippine Airlines has everything you need to make your visit to China memorable and successful. And our special in-flight care to make your journey comfortable. Manila, Australia's new and most convenient gateway to China.

SYDNEY  
MELBOURNE



## Philippine Airlines

c/o Consolidated Air Services 15 Albert Street, Auckland, New Zealand. Phone: 77 9115

\*Subject to Government approval.

## Small fry parry in insurance mass marketing

by John Sloan

MASS marketing of life insurance in New Zealand has not been a battle between the giants, but rather has been fought among the midsize, such as APA Life Ltd and Capital Life Insurance Co.

Both these companies continue to extensively direct mail advertise life insurance. Obviously this approach is successful.

APA has adopted a similar approach to market a direct mail medical care scheme.

Both companies have adapted the direct mail technique from overseas, tailoring the approach to the peculiarities of the New Zealand life insurance market.

Significantly, both the APA and Capital Life attribute their success to market research which detects what the public wants, then designs the insurance policy to meet that need.

Last year, Capital Life became the first life insurer in New Zealand to sell term life insurance by mass marketing methods. Its results for the past 10 months are:

- Term life insurance policies issued through mass marketing — 983;
- Sums assured — \$41 million;
- Average sum assured per policy — \$42,575;
- Annual premium income — \$183,000;
- Average annual premium per policy — \$190;
- Number of lives insured — male 950 and female 310;
- Age of policy holder at commencement: Under 30, 10 per cent; 30—40 38 per cent; 41—50 29 per cent; over 50, 23 per cent.

## Long-term policy brings long-term rewards

ARGUMENTS against term insurance were expressed by the retiring general manager of the AMP Society, K W Steel.

Steel likened the value of permanent life insurance protection with the long-term benefit of the country.

The AMP Society has significant interests in Australia in mineral mining and pastoral farming. "But

be turning the clock back to 1855 — the date when AMP ceased to emphasise term cover and began to provide whole-of-life cover."

Advocates of term insurance were using the argument that customers were better off renting their insurance protection than buying it. "The fact is that you can renew in most rental contracts at any age except life insurance," Steel said. "At 60 or 70 the risks are high and the premiums reflect this."

"In putting our emphasis on whole-of-life insurance, not only are we doing what is best for our policyholders' personal interests, but we are doing what is best for everybody's interests."

"The long-term nature of whole-of-life insurance enables insurance companies to make long-term investments which will benefit the economy as a whole."

The AMP's entry into mining and pastoral farming in Australia were examples of how large amounts of capital allied to "scientific know-how and marketing skills" could be invested medium to long-term to create assets which previously remained undeveloped, Steel said.

"Similar developments could take place in New Zealand," he said.

"But they will only be possible if the industry base is one of long-term investment for long-term rewards."



KEITH STEEL ... allows long-term investment.

these long-term investments were only possible because the society was committed to a philosophy of providing whole-of-life protection to its policyholders," Steel said.

"There is a tendency today for some commentators to advocate term insurance as the only satisfactory form of protection in times of high inflation."

"We do not agree. If we were to follow this advice we would

or opt out of their liability."

This unrestricted personal liability is becoming very real to members of one Lloyds syndicate, which encountered massive losses in 1978-79.

Each of the syndicates 110 members is being asked to contribute \$250,000 to meet the losses. They could be asked to pay more.

Massive collapses of Lloyds syndicates are rare, but the recent incident shows they can occur.

Any New Zealander considering membership should realise that Lloyds is the same as any other investment — the risks exist along with the rewards.



Features of this are the high aggregate sum insured and the significant portion sold to the 30 to 40 age group.

The latter is attributed to "high inflation and economic uncertainty highlighting the need for topping up cover at the lowest possible cost."

Peter Crellin, managing director of Capital Life, said that term life insurance can be a temporary solution to problems but remains the least expensive method of protecting one's dependants.

Crellin predicts that the worldwide increase in the sale of term insurance will also occur in New Zealand.

Capital Life has moved into selling group term insurance to large groups such as the 12,000-strong Timber Workers Union. Crellin predicts bulk group selling is a growth area for life insurance and intends capitalising on their momentum.

Capital Life openly canvasses life insurance by offering mortgage finance. A circular for its Union Member Balanced Savings Plan promises "a mortgage money up to \$40,000 is available."

Such promises invite criticism from other life offices.

John Good, a life insurance consultant representing the Prudential Assurance Company, wrote to NBR: "As a life insurance underwriter for many years I am very concerned that Capital Life are introducing a further mortgage orientated policy known as Farnfield."

From past experience with their Cash Plan I personally have had several clients who surrendered Prudential and other policies in favour of Capital Life and were unable to obtain mortgage money after the qualifying period.



JOHN GOOD ... reflects on discount insurance.

Therefore I am concerned that the same could happen with Farnfield."

Good concluded: "Also if I personally have experienced this problem, how many more agents in New Zealand have experienced the same? And furthermore, how many disgruntled policyholders must they have, which surely reflects in Capital Life's high policy discontinuance."

Good's criticism is echoed by other life offices, which commented on Capital Life reducing its bonus rate to from \$15 per thousand to \$10 per thousand which is considered the minimum bonus level.

As a limited liability company, Capital Life must return a profit to its shareholders and allocate bonuses to policyholders.

Inevitably, if shareholders desire an attractive dividend there is less to distribute to policyholders. This conflict probably accounts for the



STUART WILSON ... untapped new market.

recent reduction in Capital Life's bonus rate.

Crellin, on investment returns, openly admits: "The investment performance of life assurance has been overtaken by the increasing interest rates available through other savings and investments. A typical example would be Government savings stock offering 11 per cent a year for as little as 12 months. Also savings banks and building societies are able to offer investment rewards greater than ordinary insurance provides."

Asked how the big life offices viewed Capital Life — "a threat or a minor irritant?" — Crellin conceded "We're small and they indicate we're an irritant. But we're growing, we've got fresher ideas and we're not hobbled by a large agency force."

Stuart Wilson, the retiring sales manager for New Zealand of the National Mutual Life, said changes in social



PETER CRELLIN ... predicts increase

structures and family patterns "have created a new market for life insurance that is still virtually untapped."

When Wilson began his career with National Mutual in 1932, only a small range of simple and well tested policies were sold. Now the range of contracts offered is wide and varied.

Wilson said: "There is now much innovation among the leading life offices to provide products that are in harmony with consumers' current needs. There have been greater efforts to find out what these needs are and to endeavour to meet them."

"The skilled advice of the life office's professional agent was still much sought after, he said."

"My personal belief is that the professional agent will continue to be the major force through which the overwhelming bulk of life insurance in this country will be sold."

The Australian Railway Research and Development Organisation (ARRDO) has been established to provide an independent national centre for analytical research into administrative, economic, planning and policy matters relating to government railway systems in Australia. Among its aims are to improve the overall efficiency of rail systems and to reduce the impact of railway deficits on government budgets. ARRDO's research is directed towards organisational and management activities; there is no intention currently to undertake technological research.

ARRDO is seeking to make two senior appointments to newly established positions within the Organisation.

## DEPUTY EXECUTIVE DIRECTOR

The prime role of the person appointed will be to ensure that the ARRDO program is carried out efficiently and effectively. To the extent necessary for this role the Deputy Executive Director will be involved in the formulation of program proposals, and in liaison with relevant people outside ARRDO. The Deputy Executive Director will report directly to the Executive Director and, on occasion, deputise for him.

It is likely that the person appointed will have strong tertiary qualifications in one or more disciplines, and considerable experience of problem solving in a research environment, preferably rail. Strong ability about implementation of soundly based approaches to the situations confronting government rail systems in Australia is a key requirement for ARRDO. The Deputy Executive Director will therefore need to have demonstrated capabilities in directing R & D effort to this end. Experience in managing in an R & D environment is essential, as is the ability to establish effective communication with groups involved in ARRDO activities.

## MANAGER, OPERATIONAL PLANNING DIVISION

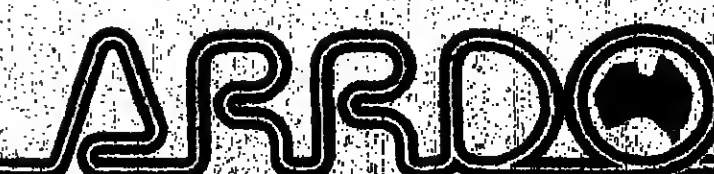
As one of three divisional managers reporting to the Deputy Executive Director, the Operational Planning Manager will have prime responsibility for divisional aspects of the ARRDO program. The appointee will be expected to identify the most appropriate divisional program, effectively promote this to top management and the Board, acquire and develop the necessary resources for executing the program, and direct staff in program execution. Effective communication with user groups and other planning professionals will be essential. The successful appointee will have at least a good first degree in a numerical discipline. The person will have had significant experience both as practitioner and as a manager in an applied research environment. In essence, a person familiar with systems approach to defining and resolving problems is sought. Additionally, the person appointed will be capable of effectively leading and developing staff.

## Salary and Conditions

The terms of appointment are currently being finalised. A salary of approximately \$30,000 for the Deputy Executive Director, and \$27,000 for the Divisional Manager, can be taken as a guide. Conditions of service are likely to be similar to the Australian Public Service.

Assistance will be provided in relocating the appointees and family. Further information about ARRDO can be obtained from the Secretary, ARRDO, 578-578 Lonsdale Street, Melbourne, Victoria, 3000, Australia.

Applications, which close on Friday, 24th August, 1979, should be marked "Personal" and addressed to the Executive Director, ARRDO, at the above address.





## Souvenir shops neglect Japanese tourists

by Wayne Brittenden

"NEW Zealand has been neglecting the shopping needs of Japanese tourists", says Bunichiro Suzuki, manager of the international section of the corporate planning department of the Japan Travel Bureau, Japan's largest travel firm.

Suzuki has made several trips to New Zealand, and he feels that "special arrangements" should be made for Japanese visitors before the expected boost in numbers when direct air services begin next year. "If New Zealanders want to

provide hospitality, they must make Japanese travellers more welcome by providing better shopping facilities.

"Many arrive at weekends, and Sunday especially is a day when it's impossible to visit any stores. New Zealanders have to understand the wishes of the Japanese craze for souvenir buying — it's taken very seriously by most travellers, because it's seen to be a duty."

Suzuki explains that in early Japan, the only travel permitted among the common people was for religious pilgrimages. Representatives or pilgrims were given

farewell gifts, usually money. When they returned, they brought back souvenirs from the temple as a token of their worship on behalf of the villagers. This was seen not only as a gesture of repayment, but also as proof of the journey.

According to Suzuki, New Zealand's hotel souvenir shops generally contain a small selection, poorly presented. "More information about what is a typical New Zealand souvenir is required", he insists.

"Clearly, this is in the interest of New Zealand too. There's a need for more places

where those tourists can spend their money.

"They're in a holiday mood, and they're more than willing."

The outspoken Japanese travel executive also has a few cryptic words on Maori culture.

He says New Zealand publicly centres too much on Rotorua — "rather like a Red Indian reservation, instead of as part of New Zealand as a whole".

Several years' experience in

London has developed a sense of disappointment with his own countrymen: "Travel to most of them means continually moving. While you're moving you see the scenery and the goal isn't generally so much to reach a destination as to keep moving."

"Japanese tourists expect something to be given to them; they want to have a packed programme because if they have too much free time they feel at a loss and don't know what to do."

Suzuki said the average Japanese traveller is matured, and while New Zealand and other countries had been successful in promoting "destination" tours, in Japan such programmes had no appeal unless they were for a specific purpose and followed a crowded schedule.

Wayne Brittenden is New Zealand's correspondent in Tokyo.

## Headhunter harvests benefits

EXECUTIVE headhunter and management consultant John Wareham is finding rich pickings in the Big Apple.

New York executives were following each other to get into a seminar given by the New Zealand-born founder of Wareham Associates at the Waldorf Astoria Hotel recently. Many were turned away.

Wareham founded his business in Wellington in 1964 and now has offices in Christchurch, Auckland, Melbourne, Sydney, Chicago and New York, where he now lives.

And like other recent New Zealand business inquires, Wareham is breaking into print.

A "substantial five figure advance" has been made by a New York publisher for "Secrets of Corporate

Headhunting", due for release next Spring.

The book is already being billed as the executive recruitment agent's answer to David Ogilvy's best selling "Confessions of an Advertising Man", also from Atheneum Publishers.

In between chapters Wareham is returning home to deliver his successful seminar "Managing people for profit" in Wellington, Christchurch and Auckland.

The package is being advertised as "an intensive two day management seminar for the executive charged with the responsibility of achieving results through people".

Beginning at 9 a.m., "prompt", the seminar will cover topics ranging from how to build a productive, stable, satisfied and synergistic organisation, how to motivate



John Wareham, an organisation and management consultant, is the author of "Secrets of Corporate Headhunting".

## Advertising Agency Executives, Advertising Managers, Sales Managers, Marketing Managers, Managing Directors, The Media.

At last — the news is out. Out in the open where it ought to be. Now — a weekly comment on news, views and happenings in Selling Advertising and Marketing in New Zealand.

You have been starved and deprived for years. No more — The New Zealand Advertising & Marketing Letter — published weekly will keep you in touch. We will report on all we can find — some of it will hurt a little — but we are in a business game, then again, we will give praise where it has been a performance. The New Zealand Advertising & Marketing Letter is a forum for you as well as for us. As long as the material can be considered of value to our readers, you will get a hearing. So send in your articles or comments. We may have to edit for our brief style but the content will be held.

Sorry — it isn't free. However, without apology we feel this special letter is easily worth the subscription rate of \$90.00 per year (50 issues).

Our introductory 5 issues for \$10 will prove how good the material is. You will soon, order an annual subscription. We've heard so many people ask for a who's who, what's what, hey, when's it happening communicator. Well — now we've put it together. And it's not a magazine requiring advertising support to survive. We think we can give you the goods from the tube. In fact with your support this will be the FORUM OF THE FUTURE FOR SELLING ADVERTISING & MARKETING IN NEW ZEALAND.

**FREE** Advertising Man. We've written our impression of "The Advertising Man". He's a very particular even peculiar creature. Scrolls have been written about him and we present our impressions as a scroll. We're sure you'll enjoy our thoughts and probably go to the trouble of framing them. Take an annual subscription today and you'll receive a complimentary specially printed copy of our thoughts on "An Advertising Man".

- When they say, "did you hear about..." now you'll be able to answer "yes I heard that was one!"
- When you want to tell the world how great you are — now you'll have a forum.
- When you hire the best guns in town — now you can tell it loud.
- When you sell more than your biggest rival — now you can tell them with it.
- When you gain the best account in town — we'll publish the news.
- When you see an advertisement that sickens you or makes you feel good — we'll publish your comments.
- When we hear something "interesting" — we'll let "them" know about it.
- If you're in the media end "they" listen to you — tell us!
- If the research can't be backed up — facts — we'll expose them!

All you ever wanted in a Communication Medium for the Communicator!

Send Coupon to: The New Zealand Advertising & Marketing Letter, P.O. Box 3942, Auckland West.

Yes, I wish to subscribe to the New Zealand Advertising & Marketing Letter. Please follow the instructions given below.

- Enrol me for:
- ☐ 5 weeks trial subscription (5 issues) at \$10.
  - ☐ 12 months subscription (52 issues) at \$90 and send me offer of "An Advertising Man".
  - ☐ 24 months subscription (104 issues) at \$170 and send me offer of "An Advertising Man".

MR/MRS/MISS/MS

Address

My cheque/money order enclosed. Credit card account. (If desired, please send details for billing. Card number, expiry date, signature. We may have slight delay while verified but will send first copy anyway.)

## Actors reach new deal

AFTER years of wrangling over contracts with little success, models and actors will get a better deal from the advertising agencies who hire them to make commercials.

Just how much better the deal will be, remains to be seen when negotiations with the association of accredited advertising agencies are finalised in the form of a new contract expected in the next few weeks. But as far as the models and actors are concerned, anything has to be better than the contract they have worked under for the best part of 20 years.

There are 1000 models and actors making a part-time living from commercials. Five years ago they joined Actors Equity and simultaneously advertising agencies found themselves facing new demands.

Nevertheless, the contract spoken for by Don Farr describes as "totally unfair and unreasonable" has remained in use.

Excerpts from the contract read:

"I, hereby set over and assign to you absolutely the copyright and any other right in or over the said works including the right of reproduction thereof either wholly or in part or in use with any other works of whatsoever nature and whether for public or private use, or in any manner howsoever as you in your absolute and unfettered discretion may think fit and for all or any advertising purposes whatsoever or any purpose associated with advertising.

"I acknowledge and agree that you shall be at liberty at any time and from time to time to use the said works and any reproductions copies extracts or excerpts thereof in any manner or form and whether retouched, dubbed or altered in any manner whatsoever, as you in your absolute and unfettered discretion may think fit and in any medium whatsoever and either separately or in conjunction with any other material of any advertising nature or non advertising nature and I hereby expressly authorise you or any person authorised by you to attribute to me in any advertisement of whatsoever nature conveyed by whatsoever medium any statement expression comment or words as you or they may desire to use."

In short — once the model had been filmed, photographed etc the agency was able to do whatever it wanted with the

material. Indefinitely. This quite frequently left the model actor embarrassed, overexposed and without redress.

The current rate for appearing in a 30 second commercial to be used for one year is \$700.

Often, says Farr, models and actors have been offered far less than that.

"It has been impossible for a model or actor to set a fee for a job because it has been difficult to find out what is going to be done with the material," he said.

"An agency may have only intended an ad for short-term local use, but if their client likes it, it could be on television night after night for a year or two. When this happens the model is overexposed.

"If the advertisement is successful, the model is associated with the product and is left unemployed because of his or her overexposure.

"So far, agencies have insisted on their freedom very much at the expense of the models and actors," he said. Grey Wiggs has been negotiating on behalf of the advertising agencies.

It is understood that the new contract will enter for individual mediums for example television, press, etc, that it will state rates for specific mediums and specific jobs and state the end use of the work.

Wiggs couldn't comment on whether models or actors used for long running or high exposure work would be compensated in a royalties or "residuals" basis — this was still under negotiation.

Currently, these payments are made only to models and actors with "strong bargaining power" Wiggs said.

## Chief pushes for cleanup

NEWLY elected Business Press Association chairman Wendy Pye is making it very clear to member publishers that she intends to clean up the business press image.

This done, Pye said, the association would launch a campaign to promote the specialised business media to advertising agencies.

Pye said she would also ask the 4As for a system of ad agency accreditation for those buying space in member publications.

Pye's "clean up campaign" began last month with a directive stating that from January 1980 all member companies will have properly audited circulations for all



ADMARK

their publications. Audits may be issued either by the Audit Bureau of Circulations of New Zealand or by the Australian counterpart.

Media buyers in the ad agencies welcomed the move. One said: "Without an audit we have to take the publisher's word that his circulation is what he says it is".

Pye's move is supported by Glen Lenoel, association vice president and publisher of IPC Business Press (Travel Trade, Car, Tagging, and Building Material News).

Lenoel said: "New Zealand is the last country in the in-

dustrial world where all business publications are not audited."

There are 292 business and trade publications in New Zealand. Of these, 18 are audited by the ABC.

Ninety of these 292 publications belong to association member companies. Seven of these are audited, and are published by four members.

The four companies are: IPC Business Press, Merchantile Gazette, Fourth Estate Group (National Business Review) and Shortland Educational Publications (Pye is managing editor of Shortland).

Thus for the association has lost one member over the audit issue. Mitchell Publishing (Grocer Review, Travelog, and Apparel) resigned.

There appear to be two distinct viewpoints on the question.

One school of thought holds that the business press is in need of a purge to eliminate those who publish little more than banal material and exaggerate circulation figures

to sell advertising space. Members of this school ask why any publisher should refuse to have his circulation audited since the cost is only \$100 or so.

An opposing school of thought argues that audits place an undue emphasis on circulation, when, with a specialised publication, it is often not how many, but who reads it that counts from the advertiser's point of view.

The upshot of the audit controversy is likely to be a reduction in association membership from the present 23 members to 15 by Christmas.

The possibility that some members might be lost on the way does not seem to worry Pye.

"If we want to be heard as a serious part of the publishing industry, to promote ourselves to the advertising agencies, we've got to put our own house in order first," she said.

"The BPA has been in existence for 11 years and what has it achieved? We either take a positive approach or close down the association," she said.

Pye and Lenoel were in Wellington talking to the 4As, the other day, about agency support for their drive for audited circulations and for a system of accreditation for agencies.

Both Pye and Lenoel complain that the business press is receiving an increasing demand for the 20 per cent agency commission from a growing number of small ad agencies with dubious financial backgrounds.

They would like the 4As to act up a system of accredited agencies to deal with BPA members similar to that available to the Newspaper Publishers' Association.

NPA accreditation is based on the volume of business offered by an agency. Accreditation for the BPA would probably not be based on volume but simply take the form of a credit check of the agency concerned.

Another object of Pye's visit to Wellington was to present a submission to Postmaster General Ben Couch, complaining about the heavy impact the 80 per cent increase in magazine postal rates will have on the business press.

## How to burn rubbish without upsetting the neighbours

A new, and very simple method is being perfected. The old garden incinerator is not part of the plan.

The aim is to gather up the vast amounts of domestic and commercial rubbish generated every day in urban areas. Compressed into dense pellets, it'll burn beautifully in solid fuel, home space heaters.

There's a double benefit to the idea. First, the fuel will be cheap — very cheap. And there's plenty of it. Secondly, it will help solve the growing municipal rubbish disposal problem.

Rubbish pellets could provide an apparently limitless supply of household heating energy. This enormous potential is being researched by Environmental Ethics Trust, a scientific group formed in Auckland three years ago.

Its primary aim is to teach resource conservation and to recycle all kinds of waste materials. During the past 12 months, the Trust has received financial support from Mobil Oil New Zealand Limited through a special cash award related to the Mobil Environmental Grants programme.

This award has enabled it to continue research into rubbish compacting techniques. Now it's discovering an amazing number of ways that rubbish pellets can be used as a fuel.

Wormala Industries Limited, test-burned a batch of pellets in one of the solid-fuel space heaters

It manufactures. The results were carefully monitored. Rubbish pellets churned out heat just as effectively as coal, wood and other recommended fuels.

True, the pellets burned a lot faster. That's only a technically. The compacting process will be modified to produce a higher density in future.

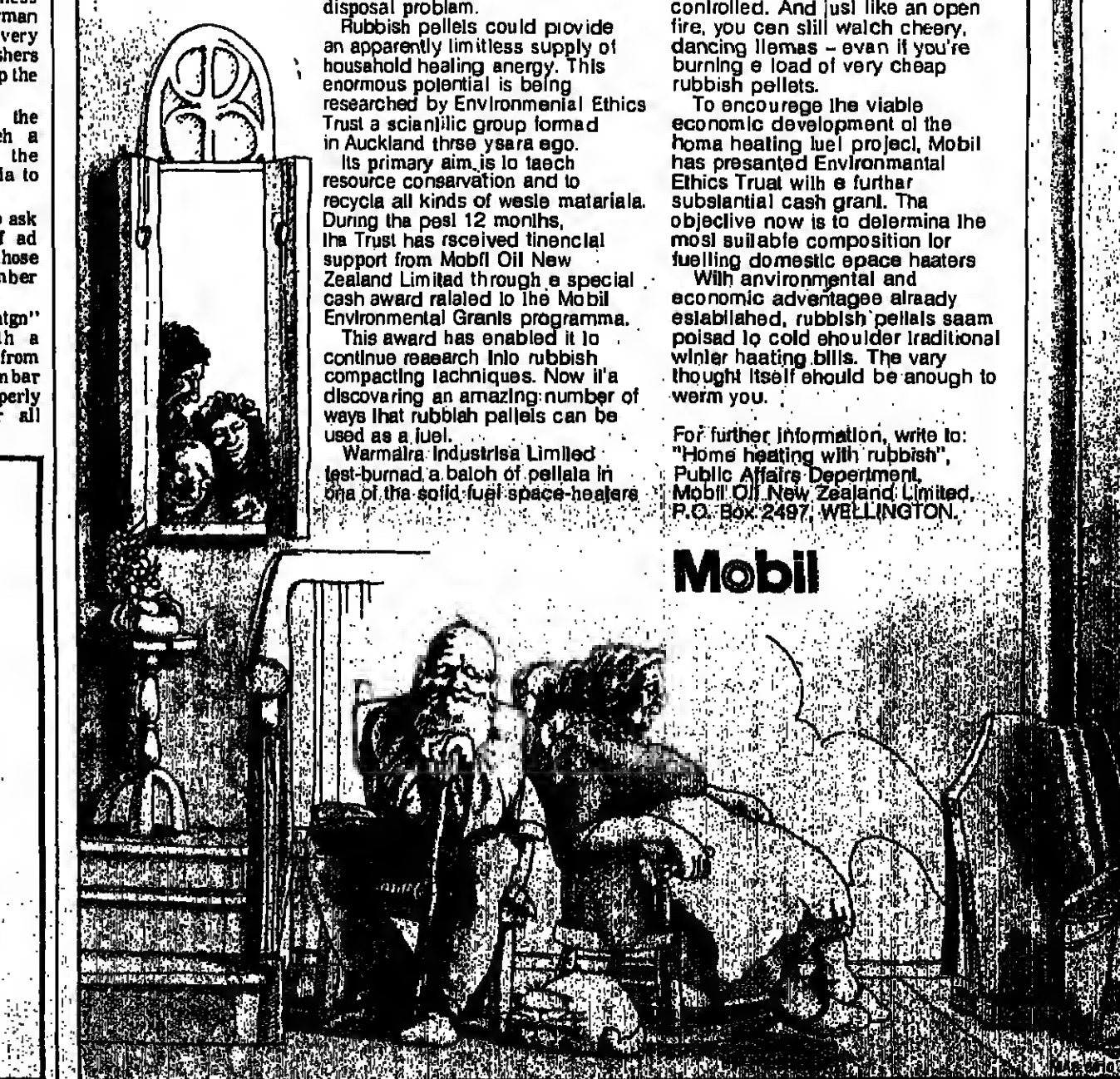
Not that pellets are ever expected to burn as slowly as coal. But solid fuel space heaters don't gobble much of anything. The burning rate can be controlled. And just like an open fire, you can still watch cheery, dancing flames — even if you're burning a load of very cheap rubbish pellets.

To encourage the viable economic development of the home heating fuel project, Mobil has presented Environmental Ethics Trust with a further substantial cash grant. The objective now is to determine the most suitable composition for fuelling domestic space heaters.

With environmental and economic advantages already established, rubbish pellets seem poised to cold shoulder traditional winter heating bills. The very thought itself should be enough to warm you.

For further information, write to: "Home heating with rubbish", Public Affairs Department, Mobil Oil New Zealand Limited, P.O. Box 2497, WELLINGTON.

**Mobil**



# GDC

## DATA-COMMUNICATIONS EQUIPMENT

Multiplexors

Modems-4800 B.P.S.

Modems-9600 B.P.S.

Modems-Limited Distance

Modems-async to 2400 B.P.S., async to 1800 B.P.S.

Diagnostic Systems

**FULLY INTEGRATED**  
**DATA-COMMUNICATION SYSTEMS BACKED BY EXPERT**  
**SERVICE THROUGHOUT THE COUNTRY.**

Call CBL Datacomm now. As sole New Zealand distributor for GDC Datacommunication equipment they can supply, install and service the GDC Datacommunication equipment necessary to link terminals with computers.

**GDC MODEMS AND MULTIPLEXORS:** • Post Office Approved for use on all leased circuits • Fully backed by CBL Datacomm's 3 month warranty • Operate at all speeds and for all applications • Ultra-reliable — with built-in diagnostic features

**FOR FURTHER INFORMATION, WRITE OR CALL:**  
 WELLINGTON: Head Office (Copeland Motor Beer), 98 Floor, 99 Coleridge Place, P.O. Box 5646, Wellington. Telephone 857-039.  
 CHRISTCHURCH: Peter Armstrong, Computer House 76 Chester Street, P.O. Box 13-147, Christchurch. Telephone 787-480.  
 AUCKLAND: Kevin Reed, Pioneer House 125 Albert Street, P.O. Box 8041, Auckland. Telephone 31-480.

## Where do 40,000 15-34 year olds tune every night?

**Ask your adman.**

Send Coupon to: The New Zealand Advertising & Marketing Letter, P.O. Box 3942, Auckland West.

Yes, I wish to subscribe to the New Zealand Advertising & Marketing Letter. Please follow the instructions given below.

Enrol me for:

- ☐ 5 weeks trial subscription (5 issues) at \$10.
- ☐ 12 months subscription (52 issues) at \$90 and send me offer of "An Advertising Man".
- ☐ 24 months subscription (104 issues) at \$170 and send me offer of "An Advertising Man".

MR/MRS/MISS/MS

Address

My cheque/money order enclosed. Credit card account. (If desired, please send details for billing. Card number, expiry date, signature. We may have slight delay while verified but will send first copy anyway.)



# Record default losses hit mortgage insurers

Melbourne Correspondent

A DRAMATIC increase in the number of Australians defaulting on home loans has led to a record \$46 million payment by Australian housing mortgage insurers for the financial year 1978-79.

The Government-guaranteed Housing Loans Insurance Corporation chairman Fitzpatrick said in Sydney recently that all Australian mortgage insurers were facing large claims and the trend showed no signs of abating.

The HLIC itself reported claims approaching \$43 million for the 1978-1979 financial year, with estimated receipts at \$45.7 million. Six years ago it was paying out one cent in the dollar, this year it is paying out about 50 cents in the dollar.

Fitzpatrick said claims had

grown by an average increase of almost 80 per cent over the past four years.

His nearest private enterprise rival, the Mortgage Guarantee Insurance Corporation, is faring no better, having reported its first underwriting loss, following claims of \$1.9 million in 1978, an 87 per cent increase on the 1977 level.

The company is believed to have paid out 60 cents in bad debts for every dollar received in premium last year.

In all, the total premium income for Australian mortgage insurance for 1978-1979 is reported as \$412 million of which about half will be paid out in bad debts.

In his annual report to Parliament last year, the Federal Insurance Commissioner warned of the losses that would be sustained by the mortgage insurers should the

recession deepen.

Certainly in the sixth year of recession, an increase in the number of claims is to be expected, but it is the rate of the increase which is causing the concern among the mortgage insurers.

According to HLIC the principal reasons for the failure of a growing number of

Australians to pay their mortgages are: unemployment; divorce; and over commitment on hire purchase.

A study carried out by the Royal Commission on Human Relationships has shown that two incomes are frequently necessary for an Australian couple to repay the average house mortgage.

In the event of divorce or unemployment, payment of the mortgage at higher interest rates, based on 1972-1976 boom valuations becomes impossible. Another factor which has led to the mortgage insurers' loss is the low price of housing fetched at current mortgagees' auction — well below the valuations of 1972-1976 upon which many insurance policies were assessed.

In consequence, insurers are compensating the building



MORTGAGE DEFAULTS... unemployment, divorce, hire purchase.

societies and banks for the substantial difference between the insured value and that realised at auction. Currently the net sale proceeds, with allowance for selling expenses are about 12 per cent lower

than the original value. As the rate of bad debts from one in 500 in 1972-1973, to one in 20 in 1978, the insurers' losses have become increasingly acute.

The fact that the building societies and banks for the substantial difference between the insured value and that realised at auction. Currently the net sale proceeds, with allowance for selling expenses are about 12 per cent lower

## Man stalls co-operation

COLIN James' analysis of Roger Douglas' influence on possible future Labour Party policy (NBR March 21) raises questions which every New Zealander interested in the political future of our country must consider.

Douglas' proposal described by James as "A list of priority industries must be established (presumably by the Government) and new capital directed by the Government if the banks will not co-operate) into those industries on a long-term basis..." is a direct take from the Values Party's 1975 election manifesto. Those ideas were in that party's 1972 and 1978 manifestos in slightly different form.

Douglas' Labour superannuation scheme, killed by Muldoon, would have taxed all earnings at a percentage in excess of all net savings. This would have placed the title to assets in a Government controlled board of directors. That was an indirect nationalisation of all savings. It would have resulted within a generation in the nationalisation of all productive assets, land as well as industries.

Arnold Nordmeyer would have soon been replaced with a Stalin of bureaucracy as head of the superannuation asset owning board. Stalins of so-called private enterprise conglomerates exactly like political and bureaucratic Stalins. Historically, and in the new socialist dictatorships of the nations now becoming industrialised, Socialism-Communism in power has turned out to be the worst form of the capitalist evil of snatching of power and wealth into the hands of the few.

Here is Lincoln's statement of the underlying problem in the broadest possible political and economic context:

"There has never been but one question in all civilisation, there is now only one question, and there never will be but one question in the future, and that is how to prevent a few men from saying to many men, you work and earn bread and we will eat it."

The fundamental problem is, "how can power and wealth be decentralised and still enable group action when the size of a task requires more than individual initiative?" This is the basic question with which the Values Party has been struggling since its birth. Their proposed solution of co-operative decentralisation sounds fine in words. However, how does one require people to co-operate?

One aspect of human history

is tribal warfare now translated into the rivalry of the United States and the USSR complicated by the bushfire wars in Africa, South Asia and such things as Islamic fundamentalism in Iran.

John R Perkins  
Tauranga

## Future stirs concern

LIKE many New Zealanders, my concern for our future grows. In 1976, to help relieve the same tension, I recorded the following sarcasms or definitions — sadly most still apply.

Inflation: problem caused by oil producers, speculators, and (in 1975) overseas governments' inability to control their economies. Suits the Inland Revenue, public servants and those who own houses. Who else multiplies?

Prices: must be politically controlled to prevent tax-paying companies making lots of money and non-tax-paying government organisations losing lots of money.

Unions: one of society's success stories. Introduced by the professions, it has suffered this century from blue collar inability to preserve essential entitlements. Illustrates what can be achieved through helping oneself.

Cost plus: a technique for passing the cost of "not trying harder" on to the customer. Followed by Trade and Industry and the large companies, it cleverly changes "profit" from a market satisfaction variable to a pre-arranged percentage cost.

Contract: freely made agreement between two parties, binding on both unless one party has the power to make laws whereupon it is binding only on the other.

Price increase: only cure known to all forms of public authority, monopolies and the professions for losing money. Forbidden to those not so cosily protected.

Policy: a statement of overall intent. Now also a euphemism for a public authority "price increase". Today, for the same reason as above, I add these:

Totalitarianism: mode of governing formerly abhorrent to New Zealanders now apparently being reappraised. Basic tenets are conviction that all wisdom is harboured at the top.

National problem: an undesirable phenomenon, the responsibility for which is passed back to the people.

Fine tuning: a mix of intelligent observation,



## Export exotic sundries

YOUR readers will have found much of interest in Sir Jack Harris' article (NBR, June 13) drawing attention to the export potential of a long list of flowers, fruits and vegetables which could be further developed. I have long shared his concern at the lack of entrepreneurs in the business scene and applaud his efforts to encourage new initiatives.

Sir Jack, however, brings his own credentials into question by slashing at the dairy industry as one whose "time is past". It is not necessary to get out of dairying to provide the land necessary for fennel, foxgloves, elderberries, poro and all the rest and the country desperately needs the income that dairying produces.

The terms in which he refers to the dairy industry indicate that Sir Jack has not quite grasped the industry's situation. European butter and milk powder stocks are indeed being dumped in our markets, but we, the dairy industry, still brought in some \$750 million of export income last year (\$630 million milk products and the rest dairy meat). We earned one fifth of New Zealand's overseas exchange receipts. The surpluses which Sir

Jack refers to are not going to be dumped on international markets because international agreements preclude such predatory means of coping with what are short-term European problems. The so-called surpluses represent no more than three months supply of European requirements, although, admittedly, while over zealous price support maintains production above demand it will take a lot more than three months to see them go away.

Strawberries, poro poro, orchids cymbidium and the rest should be looked upon as prospects for augmenting the national export income, rather than for displacing any part of it.

Three generations of farmers, scientists, businessmen and others have built the New Zealand dairy industry into the most efficient of its kind the world has ever seen.

The industry and the Dairy Board are committed to a vigorous programme of product and market diversification aimed at consolidating our markets and increasing the profit in the trade.

Our highbrow is certain aspects of the European Community's Common agricultural policy, as a result of which, the Europeans are shrinking their domestic markets and distorting the

structure of others, including many in which we are selling. Their nations, for the time being, have artificially depressed dairy products prices in many markets.

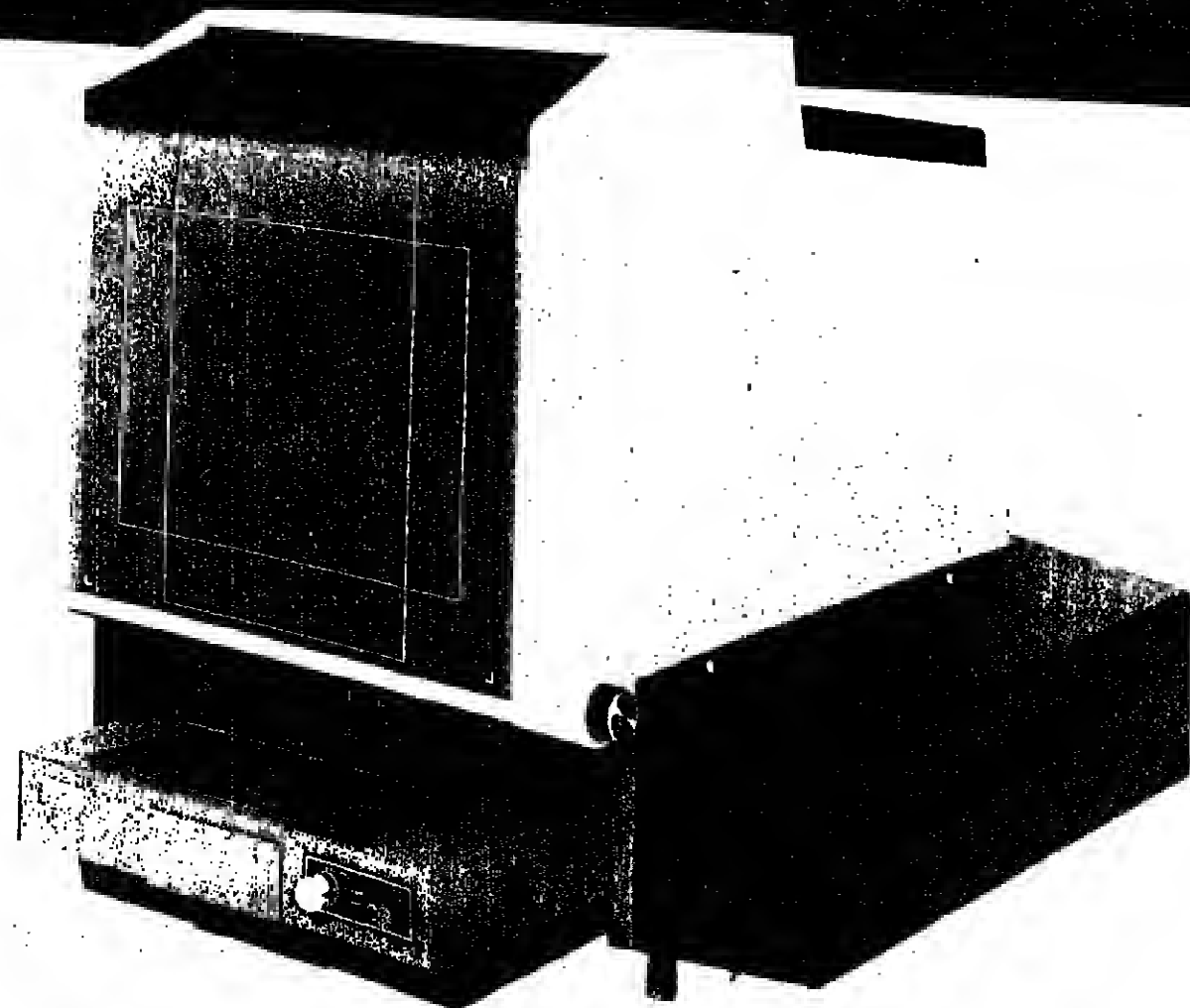
But the costs of their agricultural support are rising so fast that they will not be able to subsidise their exports indefinitely of present levels. And with Mrs Thatcher and her Government and other strong influences working hard within the EEC for the sort of changes to that policy that will benefit New Zealand as well as the United Kingdom, the dairy industry of this country expects to make a still greater contribution to the economy in the years ahead than it is making at present.

Sir Jack is looking for new opportunities and new efficient industries. I would suggest that he should not "poor mouth" one which has shown its efficiencies by competing successfully against countries which subsidise their exports as to more than one half of the costs of production. Is there any other industry in New Zealand that could boast of this?

We are sure that we will be exporting for the benefit of the nation until poro poro has completely removed the need for all food exports — not just the milk ones.

W K Knowles  
NZ Dairy Board

## NCR 459/300 MICROFICHE READER / PRINTER



- Versatile, desk-top microfiche reader/printer.
- Full size or three-quarter size prints from COM fiche.
- A4 or A5 size prints from standard document fiche or jackets.
- Wide selection of drop-in lenses from 20X to 72X.
- Dual lens facility (optional).
- Image rotation (optional).
- Roll film attachment (optional).
- Rapid print speed.
- Bimodal facility for positive prints from either negative or positive film (optional).
- Unique suction system ensures reliable paper feed.
- Quick cassette interchange for different size papers.
- Floating lens for constant focus.
- Fiche carrier self-opening for easy loading.
- Toner replenished by simple exchange of cartridge.

Systemmedia Division  
NCR (NZ) Ltd  
PO Box 51053  
Tawa

Please send more information about the NCR 459/300 Microfiche Reader.

Name \_\_\_\_\_  
Address \_\_\_\_\_

**NCR**

Commercial and Industrial  
Selling - Leasing  
Phone 726-200  
harcourts

**Cp**  
The Professional  
answer to  
Cost Reduction,  
O & M  
Productivity  
Improvement  
Methods Engineering  
Production Planning

For more information  
or telephone  
Graham C. Jones  
who will be  
personally with you  
C.P.I. Management  
Consultants Ltd  
94 Dixon Street  
Wellington  
P.O. Box 410  
Telephone 440-0000

## THE TONIGHT SHOW 40,000 15-34 year olds staying home tonight.

Give your product a night out.

Ask your adman - today.



## How much does laundry cost your business? Even if it's only \$1,000 per year, OPL can save you at least 35%! Think about it.



"It's time someone cut back your laundry costs! That's why we developed the OPL Great Alternative to 'outside' laundries."

— Ian W. Moses  
Managing Director  
On Premise Laundries

It's certainly time to question your laundry bill! The OPL "on premise" laundry system helps almost every company to operate more profitably.

For instance, recently the OPL system saved one company \$27,000 by reducing its annual laundry bill by 50%! A smaller company produced a 39% saving with this OPL system. Whatever

the size of your business, chances are an OPL system will save you big money, too.

The OPL laundry package offers:  
• Heavy duty industrial washers and dryers designed especially for OPL.  
• Specially formulated chemicals.  
• The backing of one of New Zealand's leading sales and service organisations.

Major cost saving advantages  
As an alternative to "outside" laundry services, OPL gives you far greater flexibility, plus positive cost-saving advantages. Because with an OPL system, your laundry costs are being reduced to an absolute minimum!

You keep complete control  
Now there's no chance of being charged for the laundering of unused items! OPL means the laundry stays on your premises, so you keep control. And you'll never run short again!

**OPL**  
The Great Alternative

No ironing needed  
The universal use of cotton/polyester fabrics today eliminates the need to iron bad linen or work garments. It is simply a matter of folding laundry items after the drying cycle to ensure a wrinkle-free finish.

Space is no problem  
An OPL washer and dryer package takes up less space than most office desks. And OPL has the advantage of being easily operated by any member of your existing staff.

Whichever way you look at it, OPL makes sound business sense.

Ian W. Moses  
Managing Director  
On Premise Laundries Ltd  
45 George Street  
P.O. Box 4211, Auckland

Telephone 688-487

Dear Mr. Moses,  
I would like to know more about how OPL can save money for our business.

Name \_\_\_\_\_

Position \_\_\_\_\_

Company \_\_\_\_\_

Address \_\_\_\_\_

Telephone \_\_\_\_\_

ON PREMISE LAUNDRIES LTD  
Subsidiary Company of Advance Industries Ltd.





by Belinda Gillespie  
L D NATHAN and Co Ltd has gobbled up one major chain of stores this year, and looks set to make a second course of it.

If McKenzies follows Woolworths, consumers may agree with Roger Douglas' description of the takeover as "yet another example of the hellbent trend to monopolies."

But Prime Minister Rob Muldoon does not share Douglas' vision of the consuming public and smaller commercial enterprises sitting back helplessly while Nathans, by far the biggest single retailing enterprise in New Zealand, swallows all competitors.

In April this year he opened Nathan's huge \$7 million distribution complex at Wiri.

Referring to Nathan's acquisition of Woolworths, he noted approvingly that Nathan's 21 "Supervalue" supermarkets added to those of Woolworths, there were now a total of 120 trading under the Woolworths' name.

"We have a powerful retail group," said Muldoon. "The efficiency of the overall operation will, I hope, be so strengthened by the facilities this complex offers that the customers will gain."

"The grouping together of firms should, ideally, be both for the benefit of shareholders and the public."

The test of private enterprise, said Muldoon, is that it must work not just in its own interests, but also in the wider interests of the people.

Muldoon depicted L D Nathan as a family company, strong on civic responsibilities.

Starting in a tent on the Auckland beach front, the founder of the firm, David Nathan, had started selling groceries and general merchandise to the Auckland public, and had been at it ever since.

Although Nathan's had diversified, the company had contained its operations within enterprises which had a common thread.

David Nathan not only laid the foundation stone of the first Auckland Synagogue in 1884 —

he contributed, with fellow Jews, to the foundation stones of all the original chapels built in Auckland.

In the business world, kauri, gum, wool, shipping, and the establishment of the first regular mail service were among his ventures. The willingness to seize any opportunity of business was seen as a fine example of the pioneering spirit.

Adding hotels, whisky and pianos to his empire, Nathan left a flourishing business to his son at his death in 1888. They formed it into a limited liability company in 1904, with Alfred, the second son, as chairman.

The chairman is now a Coe, not a Nathan, but the fourth generation of the family is still represented in the business. L D Nathans has been a public company since 1960, although Muldoon attested that "in its traditions, its people and its business it is a family company and probably the oldest in New Zealand."

The company has moved in the last 15 years to become one of New Zealand's biggest public companies. John Reid and Co Ltd, the Wine and Spirit Merchants and Innes Industries Ltd, owners of Walkato Breweries, are among the major subsidiaries. Bond and Bond Ltd merged with Nathans in 1973, combining its grocery operations into Associated Wholesalers Ltd, which now operates a network of warehouses throughout the Auckland area.

With Woolworths, and now almost certainly McKenzies, Nathans has become a retailing giant.

But is it becoming such a powerful concern that other retailers, and the public benefit, are threatened?

A takeover bid the size of Nathan's bid for McKenzies must be notified to the Examiner of Commercial Practices for investigation.

He examines it in terms of the Commerce Act which, according to Trade and Industry Minister Lance Adams Schneider, "contains all the necessary criteria to ensure that the public interest is fully taken into account."

## L D Nathans spreads

other would benefit and competition would be eliminated.

Trade practices which push up prices and keep them up is deemed, under the act, contrary to the public interest. So is preventing a reduction in costs, increasing profits, preventing competition, limiting or preventing a supply of goods, and reducing the variety of goods available.

As well as these effects on the individual consumer any merger, takeover or monopoly must be viewed in a broader way, with regard to "any economic or other effects — on the well-being of the people of New Zealand."

Nathan's chairman, K V Coe, in an April announcement of profit increase of nearly 13 per cent over the previous half year, said that the company's intensive restructuring process would avoid duplication of effort and cost. The group's broad field of interest gave it a resilience which compensated for "pressure on performance" — such as a demand for goods

not readily available at manufacturer level.

He looked forward to a second half year which would see substantial changes in premises, plant and personnel, with "further premises identified to be sold."

"The major industries in which we trade are highly competitive," Coe stated. Policy committed them to high-volume, low-margin distribution.

"In a free enterprise economy companies like ours should be allowed to develop their businesses with the maximum possible freedom and with a full sense of responsibility to the community."

When Super Value stores (subsidiaries of L D Nathans) were placed under the Woolworths banner, Nathan's director R. Kelly said centralisation was the only way to reduce the high costs previously associated with wholesaling and distribution. The efficiency and saving would be reflected in the service which would be given

both to Woolworth stores and independent buyers.

Even if the McKenzies takeover did not result in store closures, it should provide opportunities for cost-cutting by bringing them under one management.

McKenzies itself has been affected by the static nature of the retail trade. Last year was its worst since 1975.

In recommending shareholdings to accept the Nathan bid, the directors are giving tacit acceptance that the time has come to tidy up the country's manufacturing and distribution services.

Against this, takeovers can have a cost in human terms, if not by reducing the availability of jobs, by reducing their quality in many cases.

Takeovers of companies, such as McKenzies, with strong family traditions of their own, can cause a loss of vigour in the smaller, but still successful, company, particularly if key personnel are

## diversity not monopoly

This, Briarley has said, could be the most important factor in restructuring the economy in the next three to five years.

New Zealand, with its thinly spread population of three million, cannot afford to act like a country many times its size.

Shifting population trends have led to the formation of far too many small, inefficient companies and the country as a whole has grossly excessive productive capacity. Capital is not being properly utilised, and there is an urgent need to tidy up the country's manufacturing and distribution services.

Against this, takeovers can have a cost in human terms, if not by reducing the availability of jobs, by reducing their quality in many cases.

Takeovers of companies, such as McKenzies, with strong family traditions of their own, can cause a loss of vigour in the smaller, but still successful, company, particularly if key personnel are

lost. Ivon Reddish, chairman of the Combined State Services Union, has backed the Shop Employees Association in its bid for an official inquiry into the proposed McKenzies takeover.

Reddish says that past experiences have shown that mergers inevitably lead to staff redundancies, which would be unfortunate in time of high unemployment.

He shares the Douglas view of the takeover as evidence of a disturbing growth of monopolies in New Zealand.

Coupled with the dismantling of price controls, the process "could only mean the setting of prices at ever-increasing levels through elimination of competition."

All the Nathan moves must be seen in terms of their total operation.

Behind such "rationalisations" in the retail sector as the would-be purchase of McKenzies is the wholesaling and distribution side.

The Wiri Distribution Centre

has been hailed in Nathans' annual report as the usher to an era of "completely new distribution practices as far as the wholesale merchant trade of New Zealand is concerned". This distributive role sees the company supplying retail outlets, large supermarkets and small retailers throughout the Auckland province, yet according to the annual report "we receive only the same profit or distributive margin as a chain warehouse buying exclusively for its own stores within a narrow geographical range".

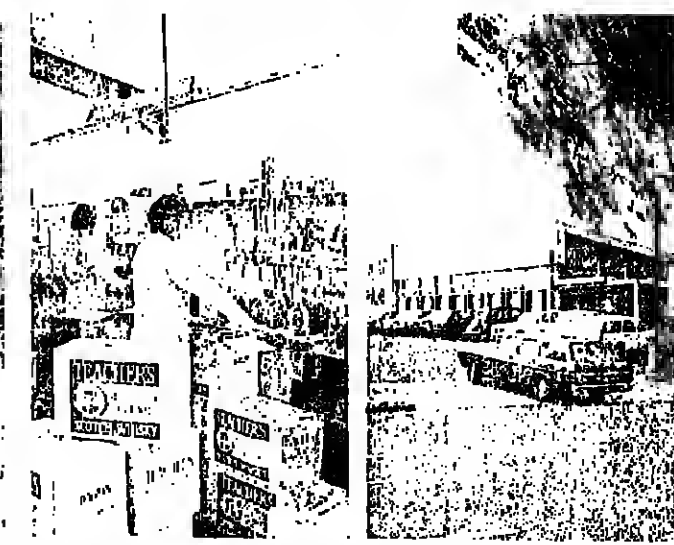
The present grocery distribution system is out of date and costly — "it is inevitable that ways of industry cooperation will be found whereby cost increases can be better contained and consumer confidence in pricing levels restored."

Wiri is "phase one of a comprehensive plan to ensure the modernisation of our approach to both wholesaling and retailing."

Nathans' size, strength and determination to streamline

the purchase, storage, transport and distribution of groceries and other goods works in the consumer interest as long as the company pursues a policy of passing on financial advantages, and competition remains vigorous. Inevitably it will be at the cost of some jobs.

But there is not a strong case for the view that the Nathan company is taking over the grocery trade, or indeed any one area of retailing.



A Woolworths — McKenzies merger means almost certainly the end of the era of the "variety chain store", but there are signs that the public no longer wants these outlets. Both chains in recent years have upgraded their shops to give an image more like that of department stores. Yet neither

offer credit and "in depth" range of goods, or other services for customer convenience.

In the Depression, McKenzies did well while other retailers languished. But the present recession has not created a climate where the low cost outlet flourishes.

## Nathans forges further ahead in retail stakes

L D NATHAN and Co is the biggest single retailer in the country. It has 120 Woolworths outlets with an expected turnover of \$250 million out of a total group turnover of \$450 million for this year.

If McKenzies sales of \$45.3 million were added to this figure, Nathans would be virtually in the \$300 million league.

Farmers Trading Company is next biggest among the retailers, with sales of \$125.5 million last year. It has 66 shops throughout the country.

Behind it trails Haywrights, among the department stores, with sales last year of \$30.4 million.

The number of shops has been trimmed to a mere five in the North Island, and 12 in the South Island, with eight stores to be sold this year.

The Cooperative Foodstuffs NZ Ltd, overshadows Nathan's grocery wholesaling and retailing operation with a chain of Four Square and New World shops throughout the country numbering 1511. Estimated retail sales for the year are \$563 million.

Under its parent Foodstuffs NZ Ltd, four independent co-operatives exist in each of the main geographical regions, each with its own board of directors.

Nathans faces stiff competition on the food side from:

• Auckland's Progressive

Enterprise which opened its 16th Foodown supermarket last year, and for the first time exceeded sales of \$100 million.

• The Shoprite chain owned by publicist-spy Wally Morris.

• An enterprise of a different structure, Good House-keeping Bureau Ltd, under the GHB label, independently owned stores group together for advertising purposes to meet competition from the big chains. No national figures are available, but there are around 350 GHB shops in the Wellington area.

With a total of 33,000 retailers in the country, talk of a Nathan monopoly is unrealistic.

The company has penetrated the grocery business but it does not equal in number or turnover Foodstuffs NZ, which although consisting of a chain of privately owned stores, can be regarded in some respects as a single market force.

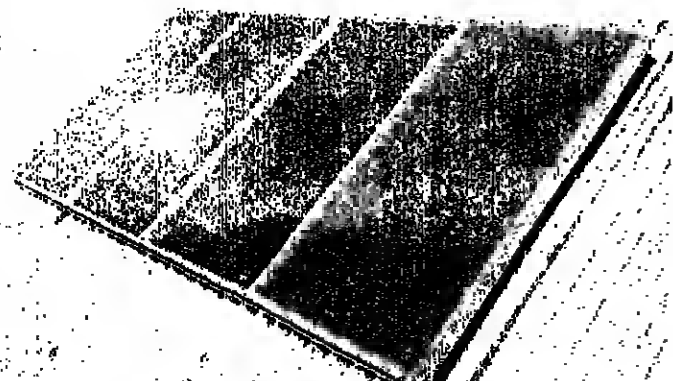
As a variety-chain, or department store, Farmers exceeds Nathans, with no national competitor now that Haywrights has eluded its wings.

With the acquisition of McKenzies in the pipeline, Nathan may beef up this side of its enterprise, or it may cut it back further in favour of the grocery trade to which its main operation is geared.

In both areas, vigorous competition exists.

# Pool its energies

If you invest in the luxury of a swimming pool, it makes sense to have it heated so you can use it all year round. No matter how you look at it, that costs real money. And what's more, as energy prices continue to soar, it costs more every year.



The number of panels required for swimming pool installation is determined by the size of the pool.

But one source of energy will never raise its price. The sun.

Morrison Solar Systems Without question the most advanced sophisticated system in the market. The result of painstaking research and further development of an original D.S.I.R. design.

By collecting the sun's energy and using it to heat water there can supplement energy requirements to heat pools by up to 60%. As energy costs continue to escalate the savings become more dramatic every year. Morrison Solar Systems quickly pay for themselves.

For further information write to Morrison Industries Private Bag HASTINGS

Or visit any A&T Burt Merchant throughout New Zealand.



The obvious solution

### IBM SYSTEM 32 Plus 3741 Data Station

(Available for sale as separate units)

#### Configuration:

16 K Main Memory  
13.7 Megabyte Disk  
155 Line Per Minute Printer

Both machines will be available for delivery October, 1979.

Priced for quick sale at  
System 32 \$22,500  
3741 \$5500

For further information contact:  
Company Controller,

**Economics Laboratory**  
New Zealand Limited

P.O. Box 10-061, Hamilton.  
Phone 494.829

### PASS SCHOOL CERT OR UE

#### USE OUR EXAM PREPARATION EXERCISES

- In each subject the significant points of the year's syllabus are covered in depth in a series of questions, model answers and notes. Prepared by a team of New Zealand's top tutors.
- Hundreds of pupils have used these exercises in the past.
- FREE with every order; (1) a leaflet, "The Techniques of Passing Exams", and (2) a Homework Study Timetable.

THESE EXERCISES SHOW YOUR AREAS OF STRENGTH AND AREAS OF WEAKNESS — WHERE TO CONCENTRATE YOUR EFFORTS

**DOMINION TEACHING ASSOCIATES LTD**  
P.O. Box 4217, Auckland. Telephone 773-280

Director: John Langdon, BA Dip. Teach.  
Please send me exercises in the subjects I have marked below. I enclose \$6.00 for each subject.

- |   |                                     |  |
|---|-------------------------------------|--|
| <input type="checkbox"/> SC Biology     | <input type="checkbox"/> SC History | <input type="checkbox"/> UE Chemistry  |
| <input type="checkbox"/> SC Bookkeeping | <input type="checkbox"/> SC Maths   | <input type="checkbox"/> UE History    |
| <input type="checkbox"/> SC Chemistry   | <input type="checkbox"/> SC Science | <input type="checkbox"/> UE Maths      |
| <input type="checkbox"/> SC English     | <input type="checkbox"/> SC Physics | <input type="checkbox"/> UE Physics    |
| <input type="checkbox"/> SC French      | <input type="checkbox"/> UE Biology | <input type="checkbox"/> UE Geography  |
| <input type="checkbox"/> SC Geography   | <input type="checkbox"/> UE English | <input type="checkbox"/> UE Accounting |
|   | <input type="checkbox"/> UE French  |  |

NAME .....

ADDRESS .....

AMOUNT ENCLOSED ..... nbr



# Databank link opens pathway out of isolation

by Warren Berryman

DISTANCE has long been the bane of the New Zealand businessman. Distance isolates him from the mainstream of technological advance and often leaves him out in the cold when it comes to up to date export market information.

Local manufacturers frequently struggle with a problem, unaware that it has been encountered and overcome overseas.

New Zealand exporters too often go abroad with a sample case and little or no knowledge of the market they hope to enter.

Inventors labour over inventions that are already subject to overseas patents, and planners plan in isolation, unaware of ebbs and flows of world trade.

As Export Institute director Ross Southcombe succinctly put it: "There is no point in New Zealanders reinventing the wheel".

New Zealand's problem has

been isolation from information. But computer technology and a little help from the New Zealand Post Office is likely to change all that by providing cheap and easy access to the world's greatest repository of information held in databanks throughout the United States and Europe.

The hundreds of American databanks, each specialising in particular topics ranging from accounting to zoology, are organised under vendor organisations; or databases, such as Lockheed's Dialog, the Systems Development Corporation's ORBIT, or the New York Times Database.

The American "freedom of information law" gives these databanks information from government departments as well as information gleaned through private research.

Access to this information need only be an arm's reach to the New Zealand businessman's phone.

Put simply, he phones his selected database over a Post

Office datel line.

On reaching them, he places his phone handpiece on the acoustic coupler atop his portable keyboard terminal, types out his I.D., the databank, and data required, and the computer in the American database takes over.

The businessman, if in a hurry, can request the information to come on line and be typed out on his terminal. Or he can have the information printed off line and posted to him.

The keyboard terminal will cost about \$400. Cost of access to the databases is paid on a computer time basis with charges ranging from \$25 to \$60 an hour.

The major cost at present is the international phone call. To the United States, it's \$150 to \$180 an hour.

There is only one datel line between New Zealand and the United States and this is overloaded.

One can use an ordinary toll

line (though this is frowned on) but the three minute blips interrupt the signal.

Present New Zealand users complain about the inadequacy of the present datel system. Often, they say, they are out of it mid transmission and each recon-



PHONES... dial access to computer networks.

nection costs them \$8.

The Post Office is working on a system that hopefully will both overcome the shortcomings in the system, and reduce costs to the user.

The system, to be completed this year, will establish a link from the New Zealand phone subscriber to two major

computer networks in the United States.

These networks, Telenet and Tymnet, establish an interface between the overseas user and the American databases. (See NBR May 30, 1979).

The Australians have installed a telecommunications

system using low-cost packet switching technology which allows several users to use a single phone line at the same time.

The Australian system is based on a charge of 20 cents a minute plus 60 cents per 1000 characters transmitted or received.

This is for cheaper than the \$150 to \$180 an hour charge paid in New Zealand.

The Post Office has yet to announce its charges for its coming system but users hope they will be in line with those charged in Australia.

Thus far only four New Zealand firms are using the database research facilities, UEB Industries, Fletchers, AHI, and NZ Forest Products.

UEB's information centre manager, Rosemary Smith, led the way. Ten years ago, UEB established its own computerised data base on its IBM 370-135.

Three years ago Smith heard about the American data base systems and decided to gain access to this information source. During the past few months AHI, Fletchers and NZFP followed suit.

Smith's prime concern is to convince the Post Office to install a multiple use public phone network similar to the Australians'. This, she said, would drastically reduce the cost of accessing US databanks, but could only be justified if sufficient use could be forecast.

She organised a users group and now claims to have 30 to 40 potential users on her list.

The advantages of accessing databanks are manifold, according to Smith.

First, information gathering by conventional means is becoming more expensive.

Smith gave an example of a researcher given the task of finding out the newest techniques in cotton manufacture.

The first step would be to choose an appropriate database.

The researcher might then request a list of all articles and papers published worldwide on the subject. From this list,

abstracts of chosen articles can either be sent on line to the desk or posted to the user's off line printout.

Or she might have a database post her copies of articles needed.

"I am concerned that New Zealand is perpetuating its isolation," she said. "We have a wealth of natural gas and coal upon which our future could be built. But where is our planners' get their technical information?" she asked.

Other uses of the database mentioned by Smith included:

- Patent searches through Derwent;
- A databank under the COMINT umbrella;
- Complete company searches giving information about their parent company, subsidiaries, product lines, locations, etc;
- Market research data for potential exporters;
- Lists of companies able to supply a product or likely to be in the market for a product;
- And information on management techniques.

UEB managing director, Yorkcastle cited an example of the practical business use of such research.

UEB was developing a big in-a-box container for the New Zealand wine industry. As a worldwide search for technical information, the databanks kept UEB abreast of the latest components, and techniques, in a box manufacture.

"It helped us leapfrog the technology," he said. In result, Yorkcastle said, UEB's manufacturing process is the envy of American and Australian manufacturers which had been in the game longer than UEB.

To make the best use of databanks and save on a pervasive on-line computer to the operator should be used in this particular type of research technique, Smith said.

Before going on line, UEB used American information brokers to do the job for her, she said. It would write, phone or telex an information broker specialising in the field.

Brokers charge between \$5 and \$50 an hour, plus their on-line search time.

Reaching through the brokers' report, seeing how he had gone about his job, provided her with valuable training in technique, Smith said.

She said she would not go through an information broker in a field beyond her competence.

The use of such information broker was a option for a New Zealand either unskilled in database search technique, or unwilling to go to the expense of going on line, she said.

# Political expediency upstages national interest

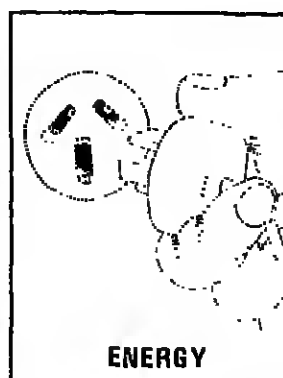
by David Boswell

AT the fourth New Zealand Energy Conference, Energy Minister Bill Birch said the Government would publish a national energy policy before the end of the year. But an energy policy is required now — not in six months.

And if previous experience can be taken as a guide, when the policy is eventually produced it will be found that political expediency will have been given precedence over the national interest.

Bringing Maui gas ashore from under the waters of the Tasman Sea was as momentous an event for this country as the day the Southern Cross flew across that same water over 50 years ago. But instead of the gas being used as a lifeline for an ailing economy, it is more of a milestone.

We have to pay for it now, although we will use it later, so it is simply compounding our present troubles.



The situation is analogous to a miser who hoards gold to provide for a rainy day, while he goes about in rags and eats scraps.

If this country had a statesman at the helm, the cost of electricity would have been reduced by 20 per cent from May 1, instead of being increased by 60 per cent.

This action would have reduced costs of both primary and secondary industry, held

THE first of a series on New Zealand's energy policy by David Boswell is in NBR, FCIS, ACA. He was a power board manager for 25 years, chairman of the Power and Finance Utilisation Committee of the Electrical Supply Authorities Association for 10 years and a member of the Committee to Review Power Requirements for the same period. His book, Politics and People was published last year.

or reduced the cost of living and so helped to curb inflation. And it would have been a factor in dampening down the inevitable demand for higher wages in the forthcoming wage negotiations.

It would also have provided an incentive for folk with oil-fired central heating in their homes to use electric radiators.

If the demand for electricity increased, more gas would be consumed at the New Plymouth, and soon Huntly, power stations. This would produce more condensate, and by reducing our oil imports would reduce the drain on our overseas funds.

Eighty per cent of the houses in this country are all-electric. Many of them are without

alternative means of heating. This winter many folk, particularly pensioners and one-income families on the minimum wage, will go cold while water will be running to waste over the spillways of our hydro storages.

There were three most important considerations that "Goals and Guidelines and the fourth Energy Conference chose to ignore.

First, the ingenuity of man. In the last 80 years man has lifted himself from the surface of the earth to walk on the moon.

At this moment an unnamed machine is probing the secrets of the inter planets, and relaying its findings back to earth. Today a

person in some laboratory or shed could be perfecting some idea which could make the internal combustion engine obsolete.

The electric car is already a fact. We should remind ourselves that there have been more revolutionary changes and discoveries in this century than there have been in all the previous 18 centuries added together. Why should this process suddenly cease?

Second, many of the resources beneath the earth's crust still await discovery. There is nothing to suggest that further exploration will not discover another field or fields of natural gas. Although the Maui field was claimed to be one of the largest in the world, subsequent research has proved that it is much more extensive than it was first claimed to be.

Third, the fact that our country is situated on the edge of the Pacific basin, the most unstable part of the earth's crust, how can we assume that, with one frown of nature, our major gas source, this state of affairs will continue hale and hearty?

The people of New Zealand have a huge investment in the Maui field and in hydro, geothermal and thermal power plants.

The time is overdue for us to get a dividend from that investment.

resource. A good example is petroleum.

"In 1940 the world's petroleum reserves were sufficient to last 20 years at the then rate of consumption.

"Today, 34 years later, petroleum reserves are sufficient to last about 20 years at the present rate of consumption which is 10 times that of 1940. Any estimates we make of the life of any resource will inevitably be too short because they are based on only discovered resources.

Third, the fact that our country is situated on the edge of the Pacific basin, the most unstable part of the earth's crust, how can we assume that, with one frown of nature, our major gas source, this state of affairs will continue hale and hearty?

The people of New Zealand have a huge investment in the Maui field and in hydro, geothermal and thermal power plants.

The time is overdue for us to get a dividend from that investment.

## Salary gap grows wider

THE salaries of top executives in New Zealand are falling further behind those in Australia. This disturbing trend has been confirmed by the latest PA-Greenwood salary surveys.

The surveys cover more than 200 salaried positions ranging from junior staff to chief executives and was conducted simultaneously in Australia and New Zealand in March by PA Management Consultants Limited.

The PA-Greenwood surveys are collectively the largest and most comprehensive in Australia.

The surveys showed that in March, the average basic salary in New Zealand dollars paid to top executives in New Zealand engaged in marketing, finance and production, was about \$7200 less than that being paid in Australian dollars for similar jobs on the other side of the Tasman.

Five years ago the difference was around \$3600. Australia begins to look even more attractive for New Zealand executives when the effects of rising living costs and income tax in the two countries are taken into account.

The after-tax salaries of top executives in Australia rose by about 26 per cent during the two years ended March 1979. In New Zealand the increase was only 21 per cent.

But it is inflation which is the major cause of the widening

gap in real incomes. Between March 1977 and March 1979 top executives in New Zealand saw their purchasing power of after tax salaries fall by between four and five per cent, while in Australia, over the same period, similar people enjoyed an increase in excess of 6 per cent.

Salaries do not tell the complete story. There has been a trend in both countries over recent years for fringe benefits and other staff privileges to become increasingly important in the total remuneration package.

Again, the New Zealand executive is slipping behind.

Take the case of company cars. The proportion of top executives in both countries receiving a company car is about the same but the Australian executive generally drives larger, more expensive car than does his counterpart in New Zealand.

The same relationship is true for other benefits, such as entertainment, travel allowances, overseas travel, club membership, and so on, although these benefits are to some extent taxable in Australia.

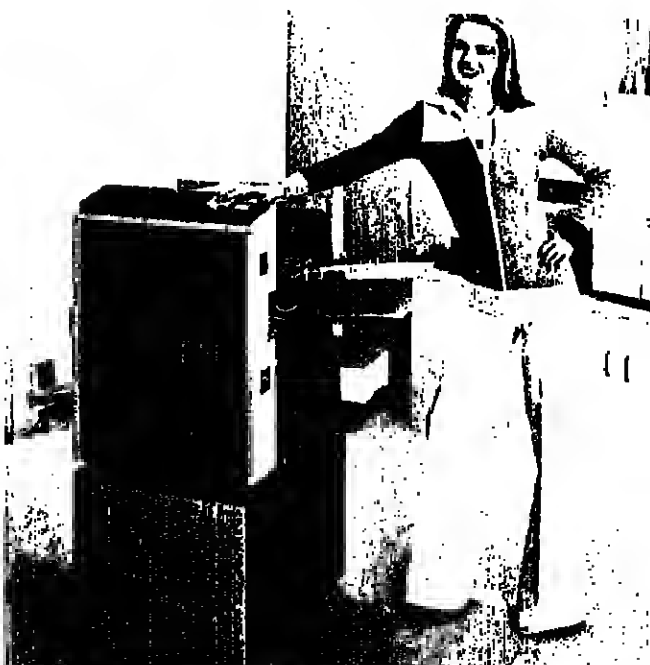
One of the effects of the growing differential can be seen in the numbers of professional, technical and managerial people leaving New Zealand, resulting in a net outflow of 5898 in the 11 months to end of February 1979.

Handle your entire range of duplicating requirements with unsurpassed simplicity and cost efficiency.

# RICOH

## AUTO PRINTER 2600

A most profitable investment for both in-house and commercial duplicating.



- The fully automatic, high productivity way to handle all in-house offset copying jobs with non-specialist machine operators.
- The sophisticated integrated-circuit controlled Ricoh 2600 enables organisations in all fields — business, industry, local and central government, science, education, the arts — to print any number of high-quality copies of a wide range of originals, including photographs and fine line drawings, in single or multiple colours. Modular inking units make colour changes exceptionally quick and easy.
- Can be loaded with up to 30 masters which are automatically fed and ejected. Varying numbers of copies can be pre-set and printed from each master.
- All functions operate under integrated circuit programme control.
- Prints up to 7,200 copies an hour on paper up to 280mm x 390mm.
- No special operator nor long operator training needed.
- 10-key push button operation quickly and accurately adjusts print conditions to suit all types of materials, masters, paper quality and volume.

For full details of this remarkably sophisticated machine contact:  
**N. McDOUGALL & COMPANY LIMITED,**  
PO Box 1299, Auckland, Telephone 775-762 PO Box 14-051, Wellington, Telephone 872-158  
Distributors throughout New Zealand

## EXPORT INVESTMENT

We are a rapidly expanding wholesale jewellery business seeking an investor to purchase up to 50% of the shareholding in our company to allow development into manufacturing and export.

In particular we are looking for the continuing support and expertise that could be offered by a larger organisation — preferably Auckland based.

All Enquiries to:  
Michael Jones  
THE JOHN PAUL JONES CO.  
Box 6812  
Auckland 1  
Phone 774895

**PAGE 10 SHOWS YOU WHERE AUCKLAND HAPPENS**

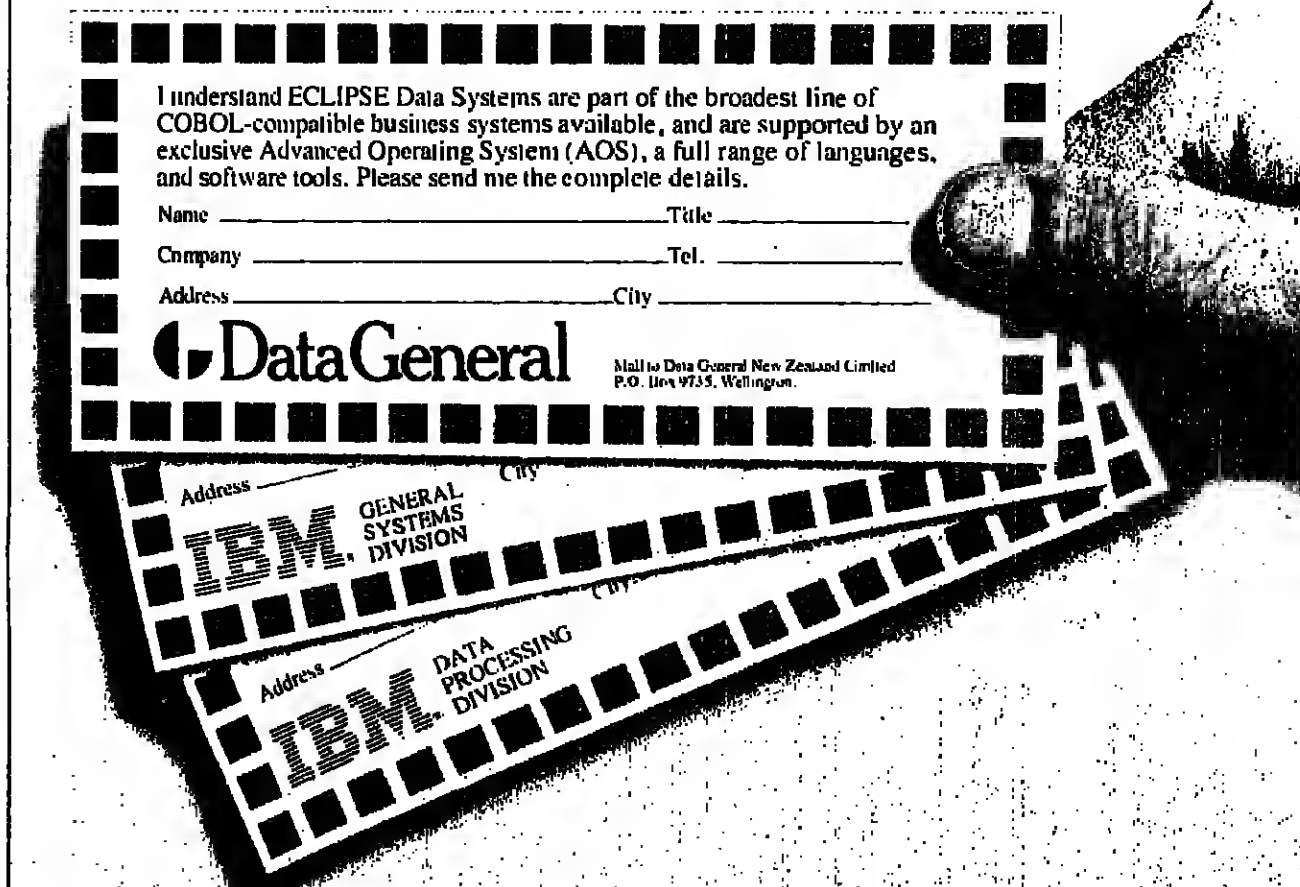


# Data General introduces freedom of choice.

You know what IBM has to offer. Maybe you know what the others have to offer. Now it's time you found out what makes our ECLIPSE Data Systems the most intelligent choice for your

distributed data processing. Ask us about compatibility, for instance. And ask where we rank in interactive capabilities. We'll be happy to let you know our ECLIPSE systems

offer you a wide range of compatible systems and one of the best interactive computing capabilities in the business. But don't take our word for it. Just ask the competition.



**Data General**  
ECLIPSE DATA SYSTEMS FOR BUSINESS.

Data General New Zealand Limited, 2nd Floor, 200 Queen Street, Auckland 1, New Zealand. Telephone (09) 362-2100.  
P.O. Box 9235, Wellington, N.Z. Telephone (04) 755-995.  
2nd Floor, 200 Queen Street, Auckland 1, New Zealand. Telephone (09) 362-2100.  
P.O. Box 9235, Wellington, N.Z. Telephone (04) 755-995.



# Electoral reform offers the chance to reduce

by Geoff Palmer

IN a democratic country like New Zealand there can be no doubt about whether the majority should rule. The question is what kind of majority should rule. People who vote exercise a choice. It is expected that the people who are elected will make decisions, a point that needs considerable refinement in the context of the New Zealand system of government.

The system recognises that it is not possible for all citizens to be involved in all public decisions. The whole of our system of government can be understood as a way of channelling communication between the voters and the decision-makers.

And the fact that voters vote exercises a check on the decisions of their representatives. Only by competitive election can the identity of the main decision-makers be changed.

In New Zealand, voting takes place after a public fight between contending adversaries which are known as political parties. The parties ostensibly present contrasting views on issues; voters then decide which set of preferences they want.

Results are decisive. Either a party controls all the power of government or none of it. At times in the past New Zealand has had coalitions of political parties forming a government and that could recur in the future. But the dominant pattern of modern New Zealand is single party government.

The existence of the two party system in New Zealand, and the contest between the parties, has been the dominating feature in determining the nature of our government for the last 40 years.

are now signs in New Zealand that domination of the system by two parties alone will not continue. One way to reduce the importance of the party system is the use of referendum.

## Referenda

From time to time important public issues in New Zealand are decided by referendum. Referenda can be in two forms. The results can be made to have a legally binding effect, as in the liquor referendum held every three years in New Zealand. If prohibition were carried, for example, the statute under which the referendum is held provides for what happens in that event. Or a referendum

## UNDRIDLED POWER?



Geoffrey Palmer  
Oxford University Press

could be advisory, not producing any change in the law but its results being a guide for politicians.

A related method of decision-making is the free vote in parliament. Under that system, which has been used in recent years for liquor legislation, the capital punishment issue and abortion legislation, members of parliament do not vote in accordance with a party line but according to their own consciences.

The tangles into which parliament often gets itself over these issues, particularly abortion, is a result partly of the unaccustomed role for parliamentarians having a free vote and not having a means of working out new groupings, and partly of the passionate views of the community on these topics.

Although the introduction of more referendum to decide public issues has attractions, it would involve changes in our decision-making system. Its use could encourage decision-makers to not make decisions and to wash their hands of the consequences. Ministers could say, with justice, that they could not be held accountable for policy decisions made by referendum. The irony is that by moving towards a pattern of frequent referenda, the public may believe it would receive government which was more accountable to it, when in reality it would be less so.

Decision on which issues to put to a referendum poses problems. The formulation of a particular issue to put to a referendum can cause great confusion. Questions must be put so that people understand them, so refinements cannot be incorporated if the issue is to remain comprehensible.

Referenda are expensive to conduct. If an indication of public opinion on an issue is wanted, public opinion polls may be just as good. Nonetheless, referenda really are democratic. They do give every one a

chance to have his or her voice heard. And they must reduce the level of public dissatisfaction with some types of decision. They are far from a free vote in parliament.

Use of referenda is common in the United States. The most dramatic provisions are contained in the constitution of the state of California. That constitution states that 'the people reserve to themselves the power to propose laws and amendments to the Constitution, and to adopt or reject the same, at the polls independent of the Legislature, and also reserve the power, at their own option, to adopt or reject any act, or section or part of any act, passed by the Legislature. (Article 4, a.1) Elaborate provisions give effect to that principle in three main ways:

- where a petition signed by a number of electors equal to 6 per cent of all the votes cast in the elections for governor is presented asking for an initiative measure to be put to the electors, then the proposition must be put at the next election. The petition must contain the proposed law in full.
- a petition can also be presented to the legislature where it is signed by 5 per cent of the electors as defined above and whether it is accepted or rejected by the legislature, the law proposed must be submitted to the people
- acts passed by the legislature do not come into force for ninety days after the adjournment of the session and if 5 per cent of the electors as defined above so petition, any act or part of an act passed by the legislature must be submitted to a referendum.

All measures to be submitted to a vote of the electors, together with properly prepared arguments for and against each measure, must be mailed to each elector before they are voted on.

New Zealanders may reduce the grip of executive government and be more satisfied with public decision if a general statute were passed allowing for referenda to be held on important public questions where 100,000 qualified electors so petitioned. The Social Credit Political League made a similar suggestion in its 1978 election manifesto.

## How system works

The present electoral system is the essence of simplicity. New Zealand elections work on

THE accompanying article is an edited extract from a chapter on electoral law from the new book on the New Zealand constitution by Geoffrey Palmer, professor of law at Victoria University in Wellington. The book, 'Undrilled Power?', was published this week by Oxford University Press and will be available from bookshops at \$8.95.

a first-past-the-post system. In each electorate each eligible voter has one vote. The voter casts that vote for the candidate of his or her choice. The candidate with most votes wins. If there are only two candidates the winner needs more than 50 per cent of the votes cast to win.

But now there are often four or more candidates. The candidate with most votes may not have as many votes as all his opponents combined although the candidate with most votes still wins. So a result can be reached where the elected candidate has a minority of the valid votes cast, say 40 per cent, while three other candidates received 60 per cent between them, none of the three receiving as many votes as the elected candidate.

The number of seats in the New Zealand House of Representatives is determined by the Electoral Act 1956, which has been amended on a number of occasions.

The boundaries are settled by the Representation Commission. It should be observed that the Representation Commission contains a majority of politically neutral public servants.

The commission has demonstrated over a long period a complete lack of partiality to any political party. And the act gives politicians no ability to interfere with the apportionment arrived at by the commission. Electorates are drawn on the basis of total population. Consideration is given to existing electoral boundaries, community of interest, facilities of communication and topographical features. The Electoral Act 1956 states: 'The Commission may for any district make an allowance by way of addition or subtraction... to an extent not exceeding 5 per cent.' (s. 17) Although the electorates are drawn up on the basis of total population, they vary quite markedly in the number of actual voters on the roll. Total population and numbers of eligible voters do not coincide very closely.

In 1978, according to Dr S I Levine, a political scientist, the smallest electorate had 16,640 on the roll and the largest 31,060. That difference of over 14,000 suggests that New Zealand's system of apportionment is not achieving

number of people who vote in the Maori seats in 1978 was 16,457 compared with 16,736 in general electorates, and in some recent was evident in 1974.

The percentage of eligible voters who actually vote is high in New Zealand, although it has been falling in recent elections.

In New Zealand it is not compulsory to vote although registration is legally required.

The effect of the first-past-the-post system in New Zealand can be seen by a comparison between votes cast in favour of political parties and seats secured in parliament. The support for minor parties, other than National and Labour, is limited between 10 and 15 per cent over the period 1974, but in all that time only parliamentary seats were secured by a third party in a general election - 80% Credit in 1968 and to 1978 Credit was first elected in parliament in 1978 at 51 election. The effect of a first-past-the-post system clearly makes political hard for third parties. A minority of people who support such parties do not have their views directly represented in parliament.

The next point is that the first-past-the-post system exaggerates the preference electors when translated to parliamentary seats. In 1974 and 1975 the difference in support for National at Labour was 2.8 per cent and per cent respectively. In those differences produced both occasions a disparity more than 25 per cent.

Parliamentary seats are quite small changes in level of relative support, produce a landslide parliamentary seats. On the other hand, in 1978 both parties were supported by voters nearly equally, there was a disparity of 10 per cent in seats secured.

It is clear from the figures that New Zealand governments were returned in all elections examined with the support of less than 50 per cent of the people who voted. Was the people who did not vote at all are taken into account, it becomes evident that the level of support for a government is even further reduced.

The conclusion that must be drawn from the recent New Zealand experience is that the method of election used in the two-party system was not the view of the voters would suggest that the support of the voters is a staple to the reform of the electoral system lies in resistance to the idea by both major parties. The clearly benefit most from first-past-the-post system.

## Possible changes

There are a number of methods by which the present system could be altered to make it a more accurate instrument for converting the preference of voters into parliamentary representation.

1. Plural-voting. The candidate with the most votes wins; whether or not he obtained a majority of the votes cast. This is the present New Zealand system.
2. Preferential-voting. A voter has an opportunity to express a second choice. The candidates have a second round of the first round, preference votes are examined and the candidate with the most votes is elected.
3. House of Representatives. Conducted by this method, a proportion of the House of Representatives would be elected by a system of proportional representation.

# the stranglehold of the two party system

party's share of the vote. Different possibilities are available under each of these methods and combinations of methods can be endless and complicated. The simplest way in which they work can be illustrated as follows.

1. Voter indicates candidate of his choice. Candidate with highest number of votes wins.
2. Voter ranks candidates in order of his preference: 1, 2, 3 etc. If no candidate achieves 50 per cent of first preference, the candidate with fewest first preference votes is eliminated and his supporters' second preferences are distributed. That process continues until one candidate has an absolute majority.
3. Voters are presented with lists of candidates of all parties. So, as in the Australian Senate, there are no positions. Voters list all candidates in order of preference, but the rules for counting the votes is by way of proportional representation. The result is that parties are represented in proportion to the votes received by their candidates. If a minority party received about 10 per cent of the vote it would receive one seat in the Senate.

It is possible to have a combination of the above methods. Perhaps the best known example of that is in West Germany, where half the legislature is elected on a first-past-the-post method and half by proportional representation according to strength of support for political parties. For a party to qualify for allocation of seats in West Germany it must first gain at least 5 per cent of the total vote.

Each of the broad systems sketched above has its advantages and disadvantages. Our present system means that minorities are under-represented in parliament. The composition of the house does not reflect closely the voting figures in the country as a whole.

The preferential system, while only a little more complex than first-past-the-post, still discriminates against minorities; there is a strong element of chance in its working.

Proportional representation has the disadvantage of being complex. It requires electorates which return several members, thus destroying the representational quality between the member and his electorate that we have now. But the system gives most choice to voters and lessens the grip of the two party system on elections. It may also produce a less clear election outcome. Small

parties may be in a position of holding the balance of power; such a possibility exists under our present system but is much less likely to occur. The composition of the party lists gives considerable power to political parties. But the prime virtue of proportional representation is that the composition of the parliament would reflect voting patterns.

Drs R M. Alley and A.D. Robinson, political scientists from the Victoria University of Wellington, designed proposals for the enlargement of the House of Representatives. Their ideas were also presented to the Parliamentary Select Committee on Electoral Reform which sat in 1974.

"We propose that a supplementary set of multi-member electorates should be added to the present system of single-member electorates."

The additional members required for the House would be elected on the basis of the votes received by party lists in three regions, Southern, Central and Northern, with seats allocated among the parties in accordance with the votes received in each region. The Southern region would comprise the whole of the South Island, the Central region the southern half of the North Island, and the Northern region the northern half of the North Island. Single-member electorates would be established at their existing number of 47 and 45 new seats would be allocated among the three regions.

Under the system each voter would exercise two votes. One for the local candidate standing in the single member electorate and the other for a regional party list. The seats in the multi-member electorates would be allocated on the 'highest average' system in which the seats are allocated one by one and each goes to that party which would have the highest average number of votes per seat it received that seat. The authors of the proposal made the following claims for it.

- Proportional representation would have more members to assist in the exercise of its functions. The major parties can provide for the election of Maoris, of women and of other minorities not adequately represented through the present system of single member electorates.
- The safe seats provided by the party lists, accompanied by new regional or national

selection procedures, would encourage and enable more highly talented people to enter politics as a career. Moreover, the services of talented sitting members could be retained, or of ex-members regained, through the appropriate use of party lists.

- The greater stability of the boundaries of single member electorates brought about by absorbing new seats into the multi-member electorates would reduce the precariousness of parliamentary careers and enable more members to build up strong local support than they have been able to in recent years.
- The entitlement of electors to cast two votes would help talented local members to survive by means of split voting.
- Regional interests as well as local interests would be represented in parliament.
- The future of the Maori seats could be looked at in a new

light once Maoris are elected in the new multi-member electorates.

- The parties would have a more active internal political life. Firstly, there would be the new task of selecting candidates for the three regional electorates. Secondly, there would be extra encouragement for party officials and party supporters at branch and electorate level in safe or hopeless seats as all potential voters for their party, whatever their area, would be able to have an impact on the results.
- For electors, voting would be a more interesting and satisfying act. It would offer the possibility of a wider range of choice in voting, including voting solidly for a party or dividing one's votes to take into account strong feelings about the local candidates.
- Voters would feel more effective in areas that are now regarded as one party

strongholds. Not only would the votes for party lists be seen to add up to the selection of regional representatives, but also they would be seen to attract the attention of politicians rather more than has been the case to areas not regarded as marginal seats.

It might be added that the system would give greater opportunity than the existing system for third parties to be represented in the House of Representatives.

## Conclusion

Any changes in the electoral system designed to give or assist minority representation would tend to break up the two party domination in parliament.

Some suggest the effect would be to weaken government. I prefer to suggest it would reduce the domination of the executive. The present electoral system tends to guarantee domination by the executive, but New Zealand

needs all points of view represented in its public decision-making.

Electoral reform offers the chance to reduce the stranglehold of the two party system and the adversary style of politics it has engendered.

In the form recommended by Drs Alley and Robinson, however, rapid changes in the style of government would not come overnight. It is very unlikely under the particular mix suggested that minority parties would ever have a disproportionate influence over the will of the majority. The proposal would not produce the prospect of continuous coalition government in New Zealand, but it may produce a moderating influence on the major parties. If it did that it would have been of benefit.

I suggest that single member electorates be limited to eighty, determined in a similar way to the present and that forty other members be elected by the method outlined above.



U.K. ALISTIN, FIC FORTY MANAGER, W.B. SPIE LIMITED

## "This outfit's so small I can't afford to be sick"

You've got 12 employees and a cleaning lady who comes in once a day to make sure you don't bury yourself alive under your own workload. If someone's layed up, you're in a fine mess.

Of course sometimes you can't plan these things. They just happen. But there is a way to plan some of it. And that's where Southern Cross comes in.

When either you or your staff need medical or surgical treatment you can decide the hospital, the surgeon and the time most suitable for you and your business - and Southern Cross pays most of the bill.

Size doesn't matter to Southern Cross. They're currently servicing over 4000 group schemes (including 90 of the top 100 New Zealand companies) - and no-one matches their experience.

They can design a scheme that covers you, your employees and their families, giving everyone V.I.P. treatment - even if it's only you and the cleaning lady. Your employees will see Southern Cross as a real bonus.

When it comes to medical care coverage, trust Southern Cross. Over half a million New Zealanders already do.

Find out more about how Southern Cross can help you by phoning or writing to:

**Southern Cross Medical Care Society**  
P.O. Box 9583, Auckland. Phone 775-609.

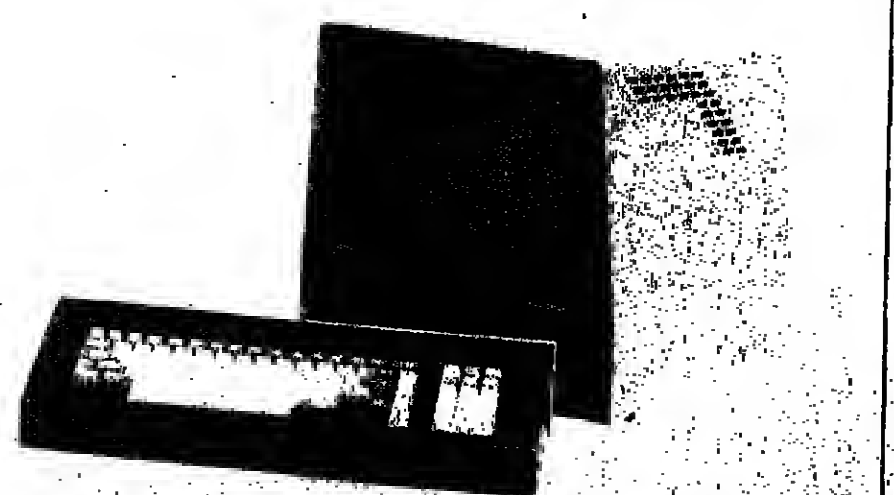
## TELERAY 1061

SERIES 10

MICROPROCESSOR CONTROLLED

### FEATURES:

- Block/Character transmission
- Scroll/pago mode
- Direct XY Cursor Addressing & Sensing
- Invert/Date Character & Line
- Transmit Page Message and Line
- Clear Page, EOP, EOL
- Protected Fields
- Highlighting Dtm, Blink, Inverse underline - Any combination.
- Programmable 1/0 50-2600 baud
- Programmable peripheral Port
- Typewriter Keyboard U/L case
- Eight Function Keys
- 128 character set
- Programmable width/narrow character display



**ANDERSON DIGITAL ELECTRONICS (N.Z.) Ltd**

P.O. Box 41-110 WAIKIRIKIRI (N.Z.) TEL. WELLINGTON 64-488  
P.O. Box 15-204 NEW LYNN (N.Z.) TEL. AUCKLAND 876-570  
P.O. Box 28-104 CHRISTCHURCH (N.Z.) TEL. CHRISTCHURCH 776-210  
Also P.O. Box 322 Mt Waverley, VIC. AUSTRALIA. 3148 PHONE: (03) 943-2077

## SHELF HELP.

Free advice and quotes for the smallest or largest retail, commercial or institutional contracts. Tough rigid steel shelving, expertly designed, at the right price. Please write to or phone our Sales Manager giving details.

**AND Shelving**

AUCKLAND - Phone 674-078 P.O. Box 14-138  
WELLINGTON - Phone 683-465 P.O. Box 30-048  
CHRISTCHURCH - Phone 65-487 P.O. Box 4080



# New Crothall plan may needle the nurses

by Bob Edlin

COMMAND Services Corporation Limited—lacking in good health with the announcement of another record for the group in both turnover and profit—seems bound nevertheless to come under the scrutiny of the nursing profession.

One of its member companies—Crothall Hospital Services—has introduced a new "product" which could be seen by nurses as an invasion of their domain.

If, as Crothall executives argue, it means more efficiency in hospital management, the service could also be considered by taxpayers to contribute to much-needed cost savings far financially beleaguered hospitals.

The Command Services annual report blandly notes the introduction by Crothall Hospital Services of "unit management", which is described as "a further extension to aiding the health service by utilising the company's extensive overseas expertise".

This idea is that the company will contract to undertake the non-clinical management of hospital

wards. "A number of hospitals are interested, but no one has taken the service yet," Tony McGrath, managing director of Command Services, said last week.

Unit management is undertaken in some English hospitals, McGrath said.

"And we argue that the contractor has a big part to play in hospital efficiency. Contractors already play an important role in saving hospital boards hundreds of dollars."

McGrath said that by contracting, hospital boards could make savings as great as 20 per cent on hospital-running costs.

"It is important to appreciate our cost efficiency," he said.

"It is a matter of doing what you do best, and letting others do what they do best."

"Nurses are trained to provide specialist clinical services, but they are not trained to make beds."

Through a unit management contract, Crothall would undertake the non-clinical management of a hospital ward.

That would mean everything from cleaning floors, windows, patient's clothing and so on to



MARKETPLACE

shaving patients and making beds.

The nurses would be relieved of housekeeping work and could concentrate on patient care.

Crothall management is confident the proposal involves only support activities that will assist nursing staff—the sort of work now done by cleaners and porters.

Therefore it doesn't anticipate industrial problems.

"In fact, the nurses complain they have too much non-nursing work to do now," said one company executive.

"They have been pressing for these changes."

But as one nurse observed: "Increasing specialisation has sliced up the work into so

many bits, we will no longer be needed."

"There are physiotherapists, dietitians, pharmacy specialists... In the end, what is left for us?"

Crothall Hospital Services is a hospital support service aimed at carrying out housekeeping, domestic, orderly and ancillary service duties within hospitals and similar health and health care institutions.

Company staff perform these duties under the direction of a management team.

As the annual report of Command Services notes: "This system is designed to blend smoothly with existing hospital procedure, with close liaison between the management team and the nursing staff."

The executive director of the Nurses Association, Shona Carey, said she had never heard of the concept and was reluctant to comment till she knew details of the Crothall idea.

"My immediate reaction is that the idea will be resisted," she said.

"It sounds like it would mean two bosses in the new place, and that is never good."

"And what do you mean by nursing duties and non-nursing duties? How good will it be for the patient?"

"Till we see the proposal, we can't react."

A major parallel to the New Zealand economic model is a similar post-war structural economic development, with both economies developing behind a protective system of controls, regulations and subsidies.

Given the fact that Israel's economic growth rate has been much higher than New Zealand's, one might have expected the policy volte face in New Zealand.

But it was Israel which changed course first. In the mid-1977 elections, Begin's mid-wing coalition of parties made its first-ever electoral breakthrough, replacing the Labour Party's coalition which had ruled Israel since independence.

The major reason for the unexpected change of government in Israel was the widespread dissatisfaction with the outgoing Labour Government's economic performance, and a belief that Begin's Likud Party presented a radical and viable alternative.

Within weeks the promised

reforms came. The Israeli pound was devalued by 50 per cent; all import controls were lifted leaving a reducing level of tariff protection and fluctuations in the exchange rate as the main protection for Israeli industry.

Along with this went a lifting of all foreign exchange restrictions, travel controls and so on.

To illustrate just how restrictive the old currency controls had been, the black market in currency was so strong and well-organised that its daily exchange rates were quoted on the state-run radio.

The Begin Government's design was for Israel to reflect the market forces with as little state interference as possible.

It was even hoped that Israel would become an alternative trading centre.

What now is interesting, is to observe just how the market forces have helped to cure Israel's economic ills.

Politically, the next market test of the public reaction is not due until 1981, although an early election has been predicted. If this occurs it will probably be an attempt to win re-election on the popular foreign policy achievement of the peace treaty with Egypt, equalising on the prevalent spirit of optimism.

But a decision in favour of an early election might also be taken in an effort to ward off the strongly growing feeling of economic discontent.

Fundamentally the main problem is quite simple. Inflation, which had been running at the double-figure level for some time, was into the 20 per cent plus range under Labour.

The latest inflation figure released in Israel was the April cost of living increase of 8.7 per cent for the month, which multiplied by 12, took the annual rate over the magical 100 per cent a year rate for the first time ever.

Today's rate of exchange, with several further movements since the 50 per cent devaluation, makes the Israeli pound worth just 4 cents New Zealand. On my last visit to Israel just a few years ago it was worth nearly 12 cents.

It is hardly surprising that the rate of inflation does not make the trade union happy. Long and bitter strikes are the

reforms came. The Israeli pound was devalued by 50 per cent; all import controls were lifted leaving a reducing level of tariff protection and fluctuations in the exchange rate as the main protection for Israeli industry.

Along with this went a lifting of all foreign exchange restrictions, travel controls and so on.

To illustrate just how restrictive the old currency controls had been, the black market in currency was so strong and well-organised that its daily exchange rates were quoted on the state-run radio.

The Begin Government's design was for Israel to reflect the market forces with as little state interference as possible.

It was even hoped that Israel would become an alternative trading centre.

What now is interesting, is to observe just how the market forces have helped to cure Israel's economic ills.

Politically, the next market test of the public reaction is not due until 1981, although an early election has been predicted. If this occurs it will probably be an attempt to win re-election on the popular foreign policy achievement of the peace treaty with Egypt, equalising on the prevalent spirit of optimism.

But a decision in favour of an early election might also be taken in an effort to ward off the strongly growing feeling of economic discontent.

Fundamentally the main problem is quite simple. Inflation, which had been running at the double-figure level for some time, was into the 20 per cent plus range under Labour.

The latest inflation figure released in Israel was the April cost of living increase of 8.7 per cent for the month, which multiplied by 12, took the annual rate over the magical 100 per cent a year rate for the first time ever.

Today's rate of exchange, with several further movements since the 50 per cent devaluation, makes the Israeli pound worth just 4 cents New Zealand. On my last visit to Israel just a few years ago it was worth nearly 12 cents.

It is hardly surprising that the rate of inflation does not make the trade union happy. Long and bitter strikes are the

reforms came. The Israeli pound was devalued by 50 per cent; all import controls were lifted leaving a reducing level of tariff protection and fluctuations in the exchange rate as the main protection for Israeli industry.

Along with this went a lifting of all foreign exchange restrictions, travel controls and so on.

To illustrate just how restrictive the old currency controls had been, the black market in currency was so strong and well-organised that its daily exchange rates were quoted on the state-run radio.

The Begin Government's design was for Israel to reflect the market forces with as little state interference as possible.

It was even hoped that Israel would become an alternative trading centre.

What now is interesting, is to observe just how the market forces have helped to cure Israel's economic ills.

Politically, the next market test of the public reaction is not due until 1981, although an early election has been predicted. If this occurs it will probably be an attempt to win re-election on the popular foreign policy achievement of the peace treaty with Egypt, equalising on the prevalent spirit of optimism.

But a decision in favour of an early election might also be taken in an effort to ward off the strongly growing feeling of economic discontent.

Fundamentally the main problem is quite simple. Inflation, which had been running at the double-figure level for some time, was into the 20 per cent plus range under Labour.

The latest inflation figure released in Israel was the April cost of living increase of 8.7 per cent for the month, which multiplied by 12, took the annual rate over the magical 100 per cent a year rate for the first time ever.

Today's rate of exchange, with several further movements since the 50 per cent devaluation, makes the Israeli pound worth just 4 cents New Zealand. On my last visit to Israel just a few years ago it was worth nearly 12 cents.

It is hardly surprising that the rate of inflation does not make the trade union happy. Long and bitter strikes are the

"We would have to come out of the member boards as a professional group," he said.

The association didn't have direct authority over the boards, but had an advisory role, he said.

Command Services recognised that the company might be slow because of bureaucratic constraints.

But he said he was "optimistic" and "hopeful of a breakthrough". And he said the Department of Health supported the concept.

Command Services companies, of course, are accustomed to battling the bureaucracy.

One of Huntbury Holdings products—a meat pie sold at export markets—has problems with agricultural authorities who insisted the meat export licence be needed.

Australian authorities were prepared to accept a product, provided it was accompanied by state declarations stating that it was a meat pie from approved works.

That wasn't good enough. The New Zealand authorities eventually they changed regulations in the product but that was two years after the initial order had been made.

Now the company is back to re-submit the market.

Another Command Services subsidiary, Seekers Telecommunications, has a similar problem. Its services, but regular, impose a limit on the number of clients, the service is advertised—and Seekers not allowed to make a profit from its tele operations.

The major reason for the unexpected change of government in Israel was the widespread dissatisfaction with the outgoing Labour Government's economic performance, and a belief that Begin's Likud Party presented a radical and viable alternative.

Within weeks the promised

reforms came. The Israeli pound was devalued by 50 per cent; all import controls were lifted leaving a reducing level of tariff protection and fluctuations in the exchange rate as the main protection for Israeli industry.

Along with this went a lifting of all foreign exchange restrictions, travel controls and so on.

To illustrate just how restrictive the old currency controls had been, the black market in currency was so strong and well-organised that its daily exchange rates were quoted on the state-run radio.

The Begin Government's design was for Israel to reflect the market forces with as little state interference as possible.

It was even hoped that Israel would become an alternative trading centre.

What now is interesting, is to observe just how the market forces have helped to cure Israel's economic ills.

Politically, the next market test of the public reaction is not due until 1981, although an early election has been predicted. If this occurs it will probably be an attempt to win re-election on the popular foreign policy achievement of the peace treaty with Egypt, equalising on the prevalent spirit of optimism.

But a decision in favour of an early election might also be taken in an effort to ward off the strongly growing feeling of economic discontent.

Fundamentally the main problem is quite simple. Inflation, which had been running at the double-figure level for some time, was into the 20 per cent plus range under Labour.

The latest inflation figure released in Israel was the April cost of living increase of 8.7 per cent for the month, which multiplied by 12, took the annual rate over the magical 100 per cent a year rate for the first time ever.

Today's rate of exchange, with several further movements since the 50 per cent devaluation, makes the Israeli pound worth just 4 cents New Zealand. On my last visit to Israel just a few years ago it was worth nearly 12 cents.

It is hardly surprising that the rate of inflation does not make the trade union happy. Long and bitter strikes are the

reforms came. The Israeli pound was devalued by 50 per cent; all import controls were lifted leaving a reducing level of tariff protection and fluctuations in the exchange rate as the main protection for Israeli industry.

Along with this went a lifting of all foreign exchange restrictions, travel controls and so on.

To illustrate just how restrictive the old currency controls had been, the black market in currency was so strong and well-organised that its daily exchange rates were quoted on the state-run radio.

The Begin Government's design was for Israel to reflect the market forces with as little state interference as possible.

It was even hoped that Israel would become an alternative trading centre.

What now is interesting, is to observe just how the market forces have helped to cure Israel's economic ills.

Politically, the next market test of the public reaction is not due until 1981, although an early election has been predicted. If this occurs it will probably be an attempt to win re-election on the popular foreign policy achievement of the peace treaty with Egypt, equalising on the prevalent spirit of optimism.

But a decision in favour of an early election might also be taken in an effort to ward off the strongly growing feeling of economic discontent.

Fundamentally the main problem is quite simple. Inflation, which had been running at the double-figure level for some time, was into the 20 per cent plus range under Labour.

The latest inflation figure released in Israel was the April cost of living increase of 8.7 per cent for the month, which multiplied by 12, took the annual rate over the magical 100 per cent a year rate for the first time ever.

Today's rate of exchange, with several further movements since the 50 per cent devaluation, makes the Israeli pound worth just 4 cents New Zealand. On my last visit to Israel just a few years ago it was worth nearly 12 cents.

It is hardly surprising that the rate of inflation does not make the trade union happy. Long and bitter strikes are the

# Capitalism in Israel: some lessons for New Zealand

by Michael Hirachfeld

WHILE the world has been watching the aftermath of Camp David and speculating on the chances of a continuing peace in the Middle East, the Begin Government in Israel, since its election two years ago, has been pursuing an economic policy which makes Margaret Thatcher in Britain look like a moderate.

Israel's population of more than three million lives within a democratic tradition, is well-educated, has a sophisticated and honest public service, supports most of the trappings of a welfare state, depends for its livelihood to a large degree on overseas trade, and, despite the small land size, two out of three of its leading export earners are agriculturally based.

Some areas of difference between Israel and New Zealand obviously exist: negatively, Israel has scarce energy resources, high defence expenditure and high domestic taxation. Positively, it is close to major world markets, has favourable access to both the EEC and the United States markets, and has a minor, if economically distorting aid inflow, which makes tight monetary control nearly impossible.

A major parallel to the New Zealand economic model is a similar post-war structural economic development, with both economies developing behind a protective system of controls, regulations and subsidies.

Given the fact that Israel's economic growth rate has been much higher than New Zealand's, one might have expected the policy volte face in New Zealand.

But it was Israel which changed course first. In the mid-1977 elections, Begin's mid-wing coalition of parties made its first-ever electoral breakthrough, replacing the Labour Party's coalition which had ruled Israel since independence.

The major reason for the unexpected change of government in Israel was the widespread dissatisfaction with the outgoing Labour Government's economic performance, and a belief that Begin's Likud Party presented a radical and viable alternative.

Within weeks the promised

reforms came. The Israeli pound was devalued by 50 per cent; all import controls were lifted leaving a reducing level of tariff protection and fluctuations in the exchange rate as the main protection for Israeli industry.

Along with this went a lifting of all foreign exchange restrictions, travel controls and so on.

To illustrate just how restrictive the old currency controls had been, the black market in currency was so strong and well-organised that its daily exchange rates were quoted on the state-run radio.

The Begin Government's design was for Israel to reflect the market forces with as little state interference as possible.

It was even hoped that Israel would become an alternative trading centre.

What now is interesting, is to observe just how the market forces have helped to cure Israel's economic ills.

Politically, the next market test of the public reaction is not due until 1981, although an early election has been predicted. If this occurs it will probably be an attempt to win re-election on the popular foreign policy achievement of the peace treaty with Egypt, equalising on the prevalent spirit of optimism.

But a decision in favour of an early election might also be taken in an effort to ward off the strongly growing feeling of economic discontent.

Fundamentally the main problem is quite simple. Inflation, which had been running at the double-figure level for some time, was into the 20 per cent plus range under Labour.

The latest inflation figure released in Israel was the April cost of living increase of 8.7 per cent for the month, which multiplied by 12, took the annual rate over the magical 100 per cent a year rate for the first time ever.

Today's rate of exchange, with several further movements since the 50 per cent devaluation, makes the Israeli pound worth just 4 cents New Zealand. On my last visit to Israel just a few years ago it was worth nearly 12 cents.

It is hardly surprising that the rate of inflation does not make the trade union happy. Long and bitter strikes are the

reforms came. The Israeli pound was devalued by 50 per cent; all import controls were lifted leaving a reducing level of tariff protection and fluctuations in the exchange rate as the main protection for Israeli industry.

Along with this went a lifting of all foreign exchange restrictions, travel controls and so on.

To illustrate just how restrictive the old currency controls had been, the black market in currency was so strong and well-organised that its daily exchange rates were quoted on the state-run radio.

The Begin Government's design was for Israel to reflect the market forces with as little state interference as possible.

It was even hoped that Israel would become an alternative trading centre.

What now is interesting, is to observe just how the market forces have helped to cure Israel's economic ills.

Politically, the next market test of the public reaction is not due until 1981, although an early election has been predicted. If this occurs it will probably be an attempt to win re-election on the popular foreign policy achievement of the peace treaty with Egypt, equalising on the prevalent spirit of optimism.

But a decision in favour of an early election might also be taken in an effort to ward off the strongly growing feeling of economic discontent.

Fundamentally the main problem is quite simple. Inflation, which had been running at the double-figure level for some time, was into the 20 per cent plus range under Labour.

The latest inflation figure released in Israel was the April cost of living increase of 8.7 per cent for the month, which multiplied by 12, took the annual rate over the magical 100 per cent a year rate for the first time ever.

Today's rate of exchange, with several further movements since the 50 per cent devaluation, makes the Israeli pound worth just 4 cents New Zealand. On my last visit to Israel just a few years ago it was worth nearly 12 cents.

It is hardly surprising that the rate of inflation does not make the trade union happy. Long and bitter strikes are the

reforms came. The Israeli pound was devalued by 50 per cent; all import controls were lifted leaving a reducing level of tariff protection and fluctuations in the exchange rate as the main protection for Israeli industry.

Along with this went a lifting of all foreign exchange restrictions, travel controls and so on.

To illustrate just how restrictive the old currency controls had been, the black market in currency was so strong and well-organised that its daily exchange rates were quoted on the state-run radio.

rule, rather than the exception.

Earlier this year there was a complete postal strike lasting for several weeks. The whole school year and exam schedule are running nearly a month behind, because of a long teachers' strike earlier in the year.

If New Zealand businessmen are finding free-market

employment situation, Israel's other big problem, which this radical restructuring was meant to tackle, was its chronic balance-of-payments deficit. But despite massive devaluation, no such improvement has taken place.

Inflation, feeding on itself, has encouraged a consumer boom creating a strong domestic market and limiting supplies available to service the export sector.

Only one area of demand has quite predictably dried up—new housing. With an average sized flat now costing \$80,000 and interest rates so high, one can imagine the problems faced by young couples trying to start out and save for their own first house.

No one now seems optimistic that any of these problems will go away if left to the market. Economic life continues because of the inflow of aid, plus the flow through projects from the massive military base construction programme in the southern desert region to be financed by the United States as part of the Camp David agreement.

Left to the natural market forces, the only response would be collapse.

Even that cannot be ruled out, but the growing feeling, after only two years' of experimentation, is that a return to some form of regulation and control is inevitable and that hopefully the new versions of the old systems will be more imaginative, more effective, and subject to less abuse.

For New Zealand, the warning signs should be seriously studied.

A rash, blinkered, ideological commitment to the imaginary panacea of the market might turn out very similar results to those discovered in Israel. Given a worsening of existing economic problems and similar inflation levels to those now prevalent in Israel, New Zealand, with a less socially cohesive society may find it difficult to cope with the consequent social strain.

Israel will probably be saved because of her position in a region of vital importance to the world.

The same attention and help may not be available to New Zealand.

For that matter, some traditional areas of credit have disappeared under the strain. Only this month the electricity company received permission to charge slightly more than 40 per cent of estimated consumption charges in advance.

Of course, not everything is black. The taxman is having a ball.

Tax brackets are adjusted—but only partially—allowing for only 70 per cent of the inflation for the last four years. As a result, this year's tax take is an estimated 77 per cent up on last year.

On the positive side, the economy is expected to show a 6 per cent real growth in GNP plus a 6.2 per cent rise in productivity—both better than New Zealand.

And as yet the official figures show a full em-

ployment situation.

Earlier this year there was a complete postal strike lasting for several weeks. The whole school year and exam schedule are running nearly a month behind, because of a long teachers' strike earlier in the year.

If New Zealand businessmen are finding free-market

employment situation, Israel's other big problem, which this radical restructuring was meant to tackle, was its chronic balance-of-payments deficit. But despite massive devaluation, no such improvement has taken place.

Inflation, feeding on itself, has encouraged a consumer boom creating a strong domestic market and limiting supplies available to service the export sector.

Only one area of demand has quite predictably dried up—new housing. With an average sized flat now costing \$80,000 and interest rates so high, one can imagine the problems faced by young couples trying to start out and save for their own first house.

No one now seems optimistic that any of these problems will go away if left to the market. Economic life continues because of the inflow of aid, plus the flow through projects from the massive military base construction programme in the southern desert region to be financed by the United States as part of the Camp David agreement.

Left to the natural market forces, the only response would be collapse.

Even that cannot be ruled out, but the growing feeling, after only two years' of experimentation, is that a return to some form of regulation and control is inevitable and that hopefully the new versions of the old systems will be more imaginative, more effective, and subject to less abuse.

For New Zealand, the warning signs should be seriously studied.

A rash, blinkered, ideological commitment to the imaginary panacea of the market might turn out very similar results to those discovered in Israel. Given a worsening of existing economic problems and similar inflation levels to those now prevalent in Israel, New Zealand, with a less socially cohesive society may find it difficult to cope with the consequent social strain.

Israel will probably be saved because of her position in a region of vital importance to the world.

The same attention and help may not be available to New Zealand.

For that matter, some traditional areas of credit have disappeared under the strain. Only this month the electricity company received permission to charge slightly more than 40 per cent of estimated consumption charges in advance.

Of course, not everything is black. The taxman is having a ball.

Tax brackets are adjusted—but only partially—allowing for only 70 per cent of the inflation for the last four years. As a result, this year's tax take is an estimated 77 per cent up on last year.

On the positive side, the economy is expected to show a 6 per cent real growth in GNP plus a 6.2 per cent rise in productivity—both better than New